

# *A REPORT BY THE NEW YORK STATE OFFICE OF THE STATE COMPTROLLER*

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**Alan G. Hevesi  
COMPTROLLER**



***NEW YORK CITY DEPARTMENT OF  
EDUCATION***

***ADMINISTRATION OF THE EARLY GRADE  
CLASS SIZE REDUCTION PROGRAM***

***2005-N-3***

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**DIVISION OF STATE SERVICES**

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**Alan G. Hevesi**  
**COMPTROLLER**

**Report 2005-N-3**

Mr. Joel I. Klein  
Chancellor  
New York City Department of Education  
52 Chambers Street  
New York, New York 10007

Dear Mr. Klein:

The following is our report on the New York City Department of Education's administration of the Early Grade Class Size Reduction Program for the period July 1, 2002 through June 30, 2005.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III, Section 33 of the General Municipal Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller*  
*Division of State Services*

March 16, 2006

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## ***EXECUTIVE SUMMARY***

### **NEW YORK CITY DEPARTMENT OF EDUCATION ADMINISTRATION OF THE EARLY GRADE CLASS SIZE REDUCTION PROGRAM**

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#### ***SCOPE OF AUDIT***

Chapter 436 of the Laws of 1997 established the Early Grade Class Size Reduction Program (Program) in New York State through amendments to the State Education Law (Law). The Program's goal is to reduce class sizes in grades kindergarten through third grade to an average of not more than 20 students per class by adding new classrooms and teachers (beyond the 1998-99 base year levels) at specific districts and schools throughout the State. The intent of the Program is to increase the ability of children to learn and to improve their performance on standardized tests.

The New York City Department of Education (DoE) has received allocations of more than \$88 million annually in Program funding. The amount of funding is predicated mainly on the number of new early grade classes that a district actually creates and maintains. Districts are precluded from using Program funding to substitute for local funding that was used previously for early grade classes (and teachers) that existed prior to the Program's implementation. The DoE was expected to add 1,586 classes to its base amount of 13,267 early grade classes during our audit period, for a total of 14,853 classes in kindergarten through third grade.

Our audit addressed the following questions about the DoE's administration of the Program, for the period July 1, 2002 through June 30, 2005:

- Did the DoE meet its prescribed goal of 1,586 new early grade classes?
- Did the DoE allocate Program funding appropriately in relation to school enrollment and capacity factors?

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## **AUDIT OBSERVATIONS AND CONCLUSIONS**

**D**oE has reduced the average class sizes in grades kindergarten through third; however the DoE has added considerably fewer new classes and teachers than expected. We also believe that the DoE can better allocate Program funding in relation to school enrollment and capacity factors so that more children can be enrolled in classes of 20 students or less.

Using the methods specified in the Law and in formal State Education Department (SED) guidance, the DoE should have provided students with 14,853 early grade classes annually. This includes the base amount of 13,267 early grade classes plus the Program increment of 1,586 classes. However, we determined the DoE did not achieve the goal for new classes and teachers for the 2004-05 year when there were 13,287 early grade classes, 1,566 less than should have been provided that year. The DoE also did not approach the target for the prior years. The total number of new early grade classes peaked at 896 in the 2000-01 year. Moreover, over the last four school years from 2001-02 through 2004-05, the total number of new early grade classes actually decreased, thereby increasing the amount of the shortfall. As detailed in our report, DoE officials took exception to our finding and stated that DoE created more than the required 1,586 new classes. However, we believe that the DoE's calculations are not consistent with the Law, because DoE's method substitutes Program funding for local funding that was used previously for early grade classes (and teachers) that existed prior to the Program's implementation.

For the 2004-05 year, we determined the DoE provided 13,287 early grade classes for 283,461 students (or an average of 21.3 students per class). The average class sizes per grade level were: 20.9 students for kindergarten; 21.6 students for first grade; 21.3 students for second grade; and 21.6 students for third grade. About 59 percent of the total 13,287 early grade classes had more than 20 students. If the DoE had added all of the prescribed new classes (for a total of 14,853 early grade classes), the average class size would have been reduced to 19.1 students in grades kindergarten through three. Although some classes would still have enrollments of more than 20 students, the majority of classes would likely have 20 students or less. Moreover, to average 20 students per class (the Program's prescribed goal), the DoE would have needed 887 additional early grade classes than it actually provided during the 2004-05 year. This would have included increases of 132 kindergarten classes, 277 first grade classes, 213 second grade classes, and 265 third grade classes.

Based on our visits to 54 selected elementary schools in New York City and our analysis of DoE building capacity data, we concluded that the lack of classroom space was an impediment to creating new early grade classes in some locations. We believe that DoE can do a better job of allocating Program resources where they are most needed, considering available space. Based on our analysis of the

city-wide enrollment data, we identified 110 instances in 98 schools where there was a need for additional classes in one grade, but instead, classes had been created in another grade. We also identified 82 schools, based on an analysis of 2003-04 enrollment data that needed a total of 163 classes as called for by DoE's system for allocating classes, had space to create additional classes and did not receive Program funds to create these classes. And, we identified 130 schools that received 237 more classes than were required to reach the goal of 20 students or less per class. Of the 82 schools needing classes, 11 schools were in Manhattan, 9 schools were in the Bronx, 45 schools were in Brooklyn, 10 schools were in Queens and 7 schools were in Staten Island. Thus, it appears that Program resources (and classes) were often not placed where they were most needed.

We also determined that there are opportunities to reduce the number of large classes by adjusting schools' service boundaries to even out utilization rates among the schools. We noted examples where neighboring schools, within a few blocks, had an imbalance in their space utilization and enrollment, allowing for opportunities to reduce class sizes by changing boundary lines.

Our report contains more detailed analyses of the status of Program implementation, as well as recommendations to help reduce early grade class sizes.

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## ***COMMENTS OF DoE OFFICIALS***

DoE officials disagreed with our determination as to the number of early grade classes that should have been created pursuant to the Law. Specifically, DoE officials state that the DoE created 1,840 additional classes for the 2004-05 year, based upon a comparison of the number early grade classes actually provided versus the number of classes needed to achieve an overall average of 25 students per class. DoE officials also indicated that Program resource allocations should not be based solely on quantitative analysis performed by central office officials. Nonetheless, DoE officials indicated that they will consider the design and dissemination of additional reports of academic performance, enrollment, capacity and utilization factors to provide local educational leaders with data that will aid their holistic assessments of the relative needs for class size reduction funding.



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# INTRODUCTION

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## Background

According to the State Education Department (SED), research indicates that class size reduction in the early elementary school grades (kindergarten through third grade) leads to higher achievement, particularly for minority and disadvantaged students. Students, teachers, and parents all report positive effects on the quality of classroom activity from class size reductions. For example, small classroom settings allow teachers to provide more individual attention to students who need help. Concerned about many school districts' relatively poor performance on standardized State tests (such as the Fourth Grade Mathematics and English Language Arts examinations), the Legislature initiated the State's Early Grade Class Size Reduction Program (Program) through enactment of Chapter 436 of the Laws of 1997. This legislation amended Section 3602 of the State Education Law (Law).

The Program's goal is to reduce class sizes to an average of not more than 20 students per class, by adding new classrooms and teachers to grades kindergarten through three at specific districts and schools throughout the State. Using the criteria contained in Section 3602(37) of the Law, SED allocates Program funds to districts based on their extraordinary needs (concentrations of students with limited English proficiency and other at-risk students), their enrollments in early grade classes (primary determinants of the number of new classes to be created), and relative wealth ratio (economic need).

In school year 2001-02, about 200 school districts statewide were determined to be eligible for Program funding. (The Program excludes classes limited to students with special needs, and school district participation in the Program is voluntary.) The State Legislature intended to phase-in the Program over a three-year period, beginning with the 1999-2000 school year. Appropriations were to increase annually over the phase-in period to expand the number of districts eligible for the Program and to increase the funding that each participating district would receive for additional early grade classes. The Law and the appropriations that supported the Program were not intended to cover the full costs of implementing the Program.

The Law prescribes a detailed mathematical methodology for SED to use to determine the number of classes and teachers that districts should add each year to reduce the average size of early grade classes to no more than 20 students. Districts are precluded from using Program funding to substitute for local funding that was used previously for early grade classes (and teachers) that existed prior to the Program's implementation. This provision is commonly referred to as the Maintenance of Fiscal Effort requirement.

Although total funding increased in the Program's second year (2000-01) to \$140 million, annual Statewide funding for the Program's subsequent years has ranged from only \$134 million to \$137 million. As a result, most participating districts did not receive additional funds to create new classes and hire additional teachers beyond the levels established for the 2000-01 school year. Moreover, participating districts may have experienced a decline in the percentage of costs covered by Program funding (if districts added the full amount of new classes and teachers as prescribed by SED) because teachers' compensation has increased since the inception of the Program. For the 2000-01 through 2004-05 school years, the New York City Department of Education (DoE) received annual Program allocations of more than \$88 million from SED. According to the plans produced by the DoE for SED, the monies were to be used to help create and maintain 1,586 new early grade classes - above the 13,267 classes that existed for the 1998-99 school year (the base year for the Program). As such, for each year of our audit, DoE should have provided 14,853 early grade classes, if it fully utilized available Program funding. (It should also be noted that 10 percent of Program funding can be used for class size reduction in grades four and above.)

In addition, the federal government has provided significant amounts of funding, currently through the No Child Left Behind initiative, which also can be used for early grade class size reduction efforts. For the 2004-05 school year, DoE allocated about \$33.8 million of No Child Left Behind funding for early grade class size reduction. Although the State's Program generally requires funding to be used for additional teachers in additional discrete early grade classes, the federal program allows newly hired teachers to be used in existing classes or as remedial instructors for small groups of children. Thus, the DoE's federally-funded early grade class size reduction initiative produces relatively few new discrete early grade classes. Further, the federal program allows the use of funds for

administrative and professional development costs, whereas the State Program does not. In addition to State and federal funding for class size reduction, NYC included an additional \$20 million in its 2004-05 education budget mainly to hire 206 more teachers to create additional classes in kindergarten through third grade, allowing for even further reductions in class sizes.

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## ***Audit Scope, Objectives and Methodology***

We audited the DoE's administration of the Program for the period July 1, 2002 through June 30, 2005. The primary objectives of this performance audit were to determine whether the DoE met its prescribed goals for adding new classes and teachers, and whether the DoE allocated Program funding appropriately in relation to school enrollment and capacity factors. To accomplish our objectives, we interviewed officials of the DoE, and made site visits to selected regional offices, operations centers and elementary schools. During our scope period, 560 of DoE's 718 elementary schools had been allocated Program funded teaching positions. We visited 54 of these schools, which, in addition to receiving Program funds, had been operating above or below capacity. Many of the schools we visited have been identified as needing academic remediation (e.g., some schools are under registration review). For a complete listing of the 54 schools we visited, see Exhibit H.

We also reviewed and analyzed pertinent records, data and supporting documentation, including DoE's official records of actual kindergarten through third grade classes and the corresponding enrollments. We tested the accuracy of enrollment and class count information during our site visits to 54 of DoE's 718 elementary schools. Our quantitative analysis of classes and class sizes included "bridge classes" (or classes that cover two or more grade levels) and "inclusion classes" (or regular education classes that include some special education students with relatively minor special needs) as well as the traditional single grade level regular education classes. We also included information from our prior audit (Report 2002-S-33) covering the period July 1, 1999 through June 30, 2002 for analytical purposes.

Our audit did not include a review of the federal funding provided under the No Child Left Behind Program for initiatives related to early grade class size reduction efforts at DoE. We also excluded special education classes from our review

because localities receive special categorical aids for such classes which traditionally have had comparatively low ratios of students to teachers.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of DoE that are included within our audit scope. Further, these standards require that we understand DoE's internal control structure and compliance with those laws, rules and regulations that are relevant to DoE's operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting the transactions recorded in the accounting and operating records, and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

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## **Response of DoE Officials to Audit**

**W**e provided draft copies of this report to DoE officials for their review and formal comment. We considered their comments in preparing this report and have included them as Appendix B. Our rejoinders to the DoE's comments are presented in Appendix C, State Comptroller's Notes.

Within 90 days after final release of this report, we request the Chancellor of the New York City Department of Education to report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.



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## STATUS OF NEW CLASSES ADDED

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We sought to answer the following questions in this part of our audit report.

- Did DoE add the number of new classes prescribed under the Program, and if not, what is the response of DoE officials?
- What was the average enrolled number of students per class in each grade citywide?
- What are the school capacity factors that impact DoE's ability to add new classes?

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### *Number of New Classes*

DoE has reduced the average class sizes on a system wide basis in recent years in grades kindergarten through three. This was due in part to a significant decline in enrollments and the development of Program classes. DoE's early grade enrollments have declined by nearly 47,000 students since the 1998-99 school year and the average class size has decreased from 24.9 students to 21.3 students. As a result, considerable progress has been made towards the Program's goal of an average of 20 students or less per class. To reach the goal of an average of 20 students or less, DoE would need to add more than 800 classes based upon the 2004-05 enrollment figures.

The Law provides that SED will compute the number of new Program classes to be added by a district to reduce the average class size to 20 or less based upon the district's average class size in the 1993-94 school year and the school's enrollment numbers in 1995. The amount of the grant will be determined based upon the number of classes to be added, a phase-in factor and the district's median salary for teachers with five or more years of experience. Annually, SED formally notifies each district of the amount of its Program grant award and the expected number of new classes and teachers the district should add relative to its award. In the case of DoE, the number of new classes to be added was computed to be 1,586 classes. (Thus, the annual Program grant of \$88.8 million provided about



\$56,000 per class.) Using the methods specified in the Law and in formal SED guidance, DoE should have provided students with 14,853 early grade classes annually during our audit period. This includes the base amount of 13,267 early grade classes plus the Program increment of 1,586 classes.

For the school years 1999-00 through 2004-05, we determined the number of actual kindergarten through third grade classes and the corresponding enrollments using DoE’s official records. Based on the results of our review, we concluded that DoE has not approached the total number of early grade classes of 14,853. The following table shows how many classes were created as compared to the base year:

School Year	Base Year Classes	Number of Early Grade Classes	Difference
1999-00	13,267	14,103	836
2000-01	13,267	14,163	896
2001-02	13,267	14,148	881
2002-03	13,267	13,918	651
2003-04	13,267	13,574	307
2004-05	13,267	13,287	20

In the 1999-2000 year, DoE had 836 new early grade classes above the base year amount. The number of new early grade classes peaked at 896 for the 2000-01 year when DoE had a total of 14,163 early grade classes, and then it consistently declined in the subsequent years. As shown in the table, over the last four school years from 2001-02 through 2004-05, the total number of new early grade classes actually decreased, thereby increasing the amount of the shortfall. By the 2004-05 year, the total number of early grade classes had decreased to 13,287 and as such, DoE had retained only 20 of the 836 new early grade classes that were originally created for the 1999-2000 year. This represented a decrease of 876 early grade classes from the 2000-01 year.

DoE officials stated that a comparison of the total number of classes in the base year to the number of classes at the present time does not recognize that enrollments have declined significantly in the early grades and that funding must follow the students as they progress through the higher grades. In a letter to a State Senator, a senior DoE official stated, “DoE calculates the number of classes that would be formed at a school using

the DoE base funding allocation and compares this number to the total number of K-3 classes actually formed. Extending this calculation across the city, the difference is the number of additional classes funded by the EGCSR grant.”

In this letter, DoE illustrated its methodology by using PS 115 in Manhattan as an example. DoE advised that there were 94 kindergarten students at PS 115 during the 2002-03 year. Pursuant to DoE’s standard funding allocation method, DoE would have funded four kindergarten classes at PS 115. However, DoE claimed that five kindergarten classes were provided, and therefore one new class was attributed to the Program. When DoE’s methodology is applied citywide, the aggregate difference is the number of additional classes actually created beyond that needed to maintain 25 pupils per class. Thus, under DoE’s methodology, DoE is not required to add onto the base year level of 13,267 early grade classes. Moreover, under DoE’s methodology, DoE officials calculate that they have created more than the 1,586 classes required to meet their Program obligation.<sup>1</sup>

DoE officials have also indicated that their Program allocation from the State is insufficient, on a cost per class (or teacher) basis, to fund 100 percent of the Program’s costs (i.e., the expected number of new positions as prescribed by SED). In the letter to the State Senator, the senior DoE official included a summary of funding allocations for the Program. As noted previously, Program funding has remained constant at about \$88 million annually since the Program’s second year (2000-01). According to DoE’s data, the Program’s total annual costs grew by 23.9 percent from the 2000-01 year through the 2004-05 year, from \$128.8 million to \$159.6 million. Consequently, the State’s share of annual Program costs has fallen over the same period, from 69 percent to 55.7 percent. The following table summarizes the data provided in the letter.

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<sup>1</sup> The method used by DoE to calculate the number of classes that should have been funded under the Program (for a specific grade level within a particular school) is contained in what is commonly referred to as the Look Up Chart. An excerpt from the Look-Up Chart is included on page 25 of this report.

<b>School Year:</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
Budgeted Cost of Classes (in millions)					
State Program Funding	\$ 88.8	\$ 88.8	\$ 88.8	\$ 88.8	\$ 88.8
Federal Contribution	\$ 19.0	\$ 17.7	\$ 33.8	\$ 33.8	\$ 33.8
Tax Levy	<u>\$ 21.0</u>	<u>\$ 21.0</u>	<u>\$ 21.0</u>	<u>\$ 23.8</u>	<u>\$ 37.0</u>
Total	\$128.8	\$ 127.5	\$ 143.6	\$146.4	\$159.6
State Program Funded Percentage	69.0%	69.7%	62.0%	60.7%	55.7%

According to DoE's data, the DoE has supplemented State Program funding with federal and tax levy monies, and consequently, the total cost of the Program was \$159.6 million for the 2004-05 year.

We agree with DoE officials that the Law does not appear to be designed to handle significant declines in enrollment. Rather, it appears to assume that enrollments will remain relatively constant. Thus, DoE's concerns must be recognized. In addition, we acknowledge that Program funding has not increased in recent years. However, we question if DoE's methodology is consistent with the Law. The Law details the Program's requirements which stipulate that Program funding should not be used to fund classes (including teachers' salaries) that existed in the base year. We believe that DoE's methodology often substitutes Program funding (for early grade classes and teachers) for base-level funding that would otherwise come from tax levy contributions. As a result, we conclude that this is inconsistent with the Program's maintenance of effort requirement.

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## ***Class Sizes***

The DoE has reduced the average early grade class sizes from 24.9 students per class in 1998-99 to 21.3 students per class in 2004-05. Nonetheless, DoE has not reached the goal of 20 students per class (on average) throughout the system, despite a decrease in enrollment of nearly 47,000 early grade students since the 1999-2000 year and the infusion of significant sums of federal, State and NYC funding designated specifically for class size reduction. For the 2004-05 year, we determined that DoE, as of October 29, 2004, provided 13,287 early grade classes for 283,461 students (or an average of 21.3 students per class). For the 2004-05 year, the average class

sizes per grade level (including bridge and inclusion classes) were 20.9 students for kindergarten; 21.6 students for first grade; 21.3 students for second grade; and 21.6 students for third grade. (For detailed class size distribution analysis by grade, see Exhibits B through F.) If DoE had added all 1,586 classes (for a total of 14,853 early grade classes), the average class size would have been reduced to 19.1 students in grades kindergarten through three. Although some classes would still have enrollments of more than 20 students, the majority of classes would likely have 20 students or less.

Moreover, to achieve the goal of an average of 20 students per class, DoE would have needed 887 more kindergarten through third grade classes than it actually provided for the 2004-05 year. This would have included increases of 132 kindergarten classes, 277 first grade classes, 213 second grade classes, and 265 third grade classes throughout the system. If the total number of early grade classes equaled 14,174, the overall average class size would be 20 students.

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## ***School Capacity Factors***

In our prior audit report, we were told that space constraints limited districts' ability to add new early grade classes. Based on our visits to the 54 selected elementary schools in NYC and our analysis of DoE building capacity data, we concluded that the lack of availability of classroom space was an impediment to creating new early grade classes at certain schools. During our site visits, we observed instances where schools converted space formerly used for other purposes into classrooms. For example, at PS 81 in Queens, we observed that the school has a transportable classroom unit in the school yard, and built two classrooms from space formerly used as a gym. At PS 102 in Brooklyn, we observed that the school converted an open area on the first floor (where children used to play) into five classrooms.

Moreover, based on information prepared by DoE officials, we question whether there was sufficient classroom space available to add 1,586 new classes to the 13,267 early grade classes that existed during the 1998-99 year. We noted that schools in 15 of DoE's 32 community school districts averaged 95 percent or more of target capacity utilization for the 2003-04 year, despite decreases in enrollment in early grade classes in previous years. Ten community school districts averaged 100 percent or more of target capacity. (For a complete summary of districts'

capacity utilization rates, see Exhibit G.) Consequently, DoE had limited ability to add classes at many districts and schools throughout the system.

The DoE School Construction Authority compiles information and reports on the student capacity utilization of each public school. The capacity is determined by the number of classrooms multiplied by the maximum number of students that may be assigned to each classroom. Generally, classrooms designated for kindergarten through third grade have a standard capacity of 20 students. Adjustments are made to reflect the need for support rooms required for teaching classes in art, music, science, and computers, as well as for funded support services and other reasons. When a school needs additional classrooms, rooms that were constructed for other uses (such as a gymnasium or a teacher's lounge) are sometimes converted to classroom use and are also counted toward the school's total capacity.

The resulting report of school capacity is referred to as the "Blue Book." Once the student capacity is determined, it is compared to the number of students assigned to the school. Thus, a school with more students than its listed classroom capacity would have a capacity utilization rate exceeding 100 percent. When a school enrolls fewer students than its capacity would normally allow, utilization is reported as less than 100 percent.

DoE has 927 elementary school buildings including temporary classroom units and mini-schools, in addition to main school buildings throughout the five boroughs. Unlike a smaller district with a small geographic size and a more limited number of buildings, DoE is faced with a complex problem of matching building space with enrollment demands in a wide range of geographic locations. Thus, it may not always be possible to create discrete new classes at all locations where they are needed. As discussed previously in our report, DoE is supposed to give priority to locations where classes are overcrowded and academic performance is poor. The following table summarizes the number of buildings and the corresponding capacity utilization rates.

<b>Capacity Utilization Range</b>	<b>Number of Buildings in the Range (See Note Below)</b>	<b>Percentage of Total Number of Buildings</b>	<b>Cumulative Percentage</b>
<50%	28	3.0	3.0
50-59%	30	3.2	6.2
60-69%	61	6.6	12.8
70-79%	91	9.8	22.6
80-89%	127	13.7	36.3
90-99%	130	14.0	50.3
100-109%	162	17.5	67.8
110-119%	115	12.4	80.2
120-129%	94	10.1	90.3
130-139%	47	5.1	95.4
140-149%	21	2.3	97.7
>149%	<u>21</u>	<u>2.3</u>	100.0
Totals	<u>927</u>	<u>100</u>	

**Note:** Amounts include temporary class rooms, mini-schools and annexes. These 927 buildings correspond to 718 schools.

As the table indicates, there is a wide range in the capacity utilization rates among DoE's elementary schools. More specifically, we note that 210 (22.7 percent) of DoE's elementary school buildings have capacity utilization rates of less than 80 percent, and 183 (19.7 percent) school buildings have utilization rates of 120 percent or more. Thus, about 42 percent of DoE's school buildings were significantly over- or under-utilized.

For the 2003-04 school year (the latest year the "Blue Book" was available at the time of our fieldwork), school utilization rates ranged from a low of 45 percent at PS 287 in Brooklyn to a high of 202 percent at PS 128 in Queens. Moreover, as expected, the schools with capacity utilization rates of less than 80 percent generally had average early grade class sizes (ranging from 12.3 to 26.0) that were less than the average early grade class sizes (ranging from 16.3 to 30.3) of the schools whose utilization rates were 120 percent or more. We

concluded that the schools at or exceeding their listed capacities would likely have difficulties adding classrooms and reducing class size because all of their potential classrooms were already being used for instruction. However, as detailed in the next section of our report, we believe that sufficient capacity existed at certain locations to add classes, and consequently DoE can do a better job of matching Program resources with available space.

## **Recommendations**

1. Develop and implement procedures to provide reasonable assurance that schools actually add the numbers of new classes and teachers consistent with the target for early grade classes prescribed by the SED.

(DoE officials disagreed with this recommendation because they disagreed with our methodology for calculating the number of new classes created.)

2. Formally review the student/teacher ratios for the individual early grade levels (kindergarten through third grade) and take steps, as necessary, to ensure that the ratios, by grade level, are no greater than 20 to one.

(DoE officials did not explicitly agree or disagree with the recommendations. However, officials stated that have always embraced and continue to embrace the goal of reducing class sizes in Grades 3 to not more than 20 students per class to the extent that available funding is sufficient to meet the goal.)

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## PROGRAM IMPROVEMENT OPPORTUNITIES

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We sought to answer the following questions in this part of our audit report:

- What was the range of class sizes achieved by DoE?
- Did DoE allocate Program funding appropriately in relation to school enrollment and capacity factors?

The DoE allocated more than \$88 million in State Program funding for the 2004-05 school year. According to information provided by DoE officials, the funded positions were distributed to the regions, as follows:

Region Number	Number of Schools	Number of Positions
1	47	170
2	53	188
3	71	183
4	52	168
5	58	224
6	45	127
7	68	196
8	72	267
9	63	217
10	31	107
<b>TOTALS</b>	560	1,847

Note: DoE indicated that 1.2 FTE teachers are required for each early grade class. This is necessary to provide coverage when teachers are absent or out of the classroom for other reasons. Thus, 1,847 teachers would be required to cover the more than 1,500 classes that DoE officials state they have added under the Program.

DoE officials stated that Program funding is allocated to the Regions based primarily upon the prior year's allocation with adjustments for projected enrollment changes and other factors. The Regions then sub-allocate Program monies (and positions) to the schools based on discussions among regional and school officials. Generally, the specific basis (quantitative and/or

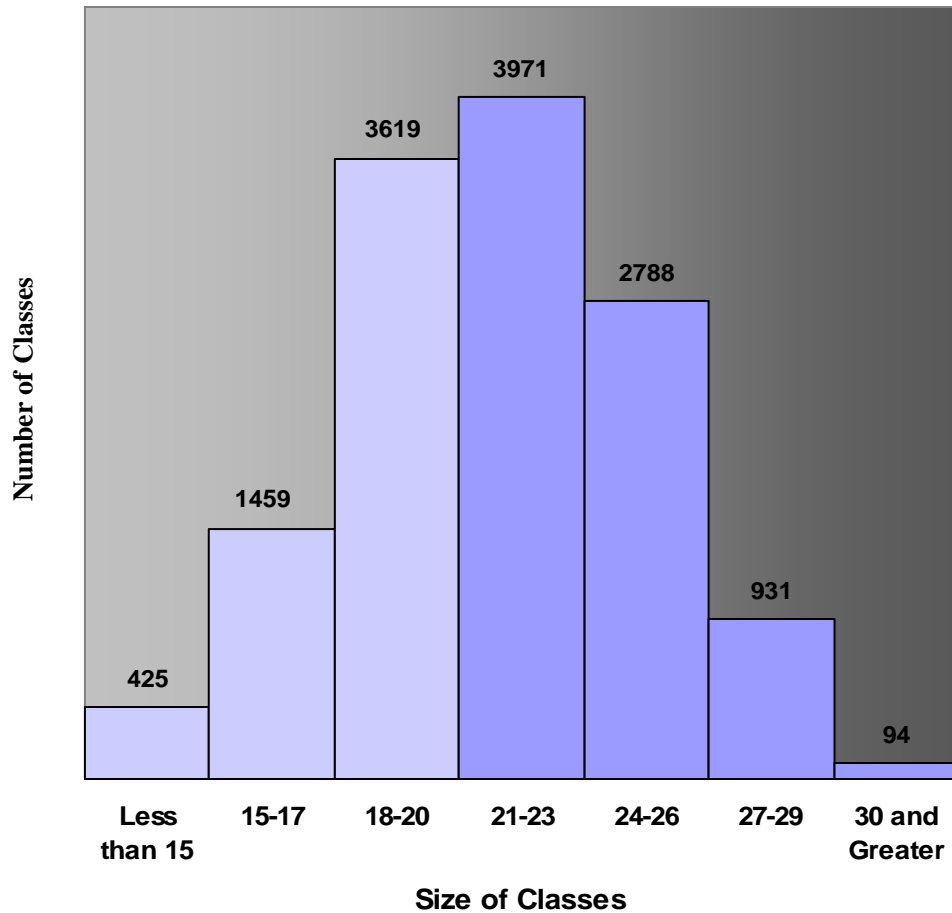


qualitative analysis) for the regional determinations of allocation decisions was not formally documented.

Moreover, DoE's central office does not formally assess the regions' sub-allocation of Program funding to the schools. Therefore, a school's ability to obtain funding is generally determined by its prior year allocation, rather than by a formal analysis of school enrollment and capacity factors.

We determined that a majority of DoE's early grade classes had in excess of 20 students for the 2004-05 school year, and consequently, DoE has considerable need and opportunity to make Program improvements that will benefit the children. The following graph illustrates the numbers of early grade classes by enrollment ranges.

**Distribution of Class Sizes for Kindergarten through Grade 3 For the 2004-2005 School Year**



The graph shows that for the 2004-05 year, DoE had 7,784 early grade classes (about 59 percent of the total of 13,287 early grade classes) with more than 20 students. Moreover, there were 3,813 (about 29 percent of the total) early grade classes with 24 or more students. Exhibits B through F provide detailed information regarding the ranges of class sizes.

Our visits to 54 schools and our analysis of class enrollment data for the 2003-04 and 2004-05 school years disclosed that significant opportunities exist to improve the distribution of Program funds. DoE officials told us that regional and district staff use the “Look-Up Chart” to allocate classes by correlating specific numbers of tax levy and Program classes with specific enrollment levels. For example, if a school has 128 students in first grade, using DoE’s standard allocation methodology of 25 students to one class, the Look-Up Chart would show that the school should have five classes funded by tax levy money. Further, if the school is Program eligible, an additional class should be funded through the Program. A portion of the Look-Up Chart follows.

<b>Number of Students</b>	<b>Number of Classes @ 25 Students</b>	<b>Number of Classes @ 20 Students</b>	<b>Class Increment Added</b>
128	5	6	1
129	5	6	1
130	5	7	2
131	5	7	2
132	5	7	2
133	5	7	2
134	5	7	2
135	5	7	2
136	5	7	2
137	5	7	2
138	6	7	1
139	6	7	1

We reviewed DoE's allocations of Program and tax levy funding and visited 54 schools to determine how the Program funds were used. At the 54 schools we visited, all of the individuals paid for through Program funds were functioning as teachers. For each of the 54 schools, we determined the allocations of Program classes (and teachers) to those schools by grade level, and then we compared the allocations with the Look-Up Chart to determine if they matched. The 54 schools we visited had a total of 280 Program classes.

However, we determined that the Look-Up Chart frequently was not followed by DoE. In fact, at 30 of the 54 schools, we identified a total of 60 Program classes in excess of the amounts the Look-Up Chart prescribed. Our analysis also revealed that DoE did not provide the number of tax levy classes prescribed by the Look-Up Chart in many instances. We determined that 26 schools provided a total of 55 fewer tax levy classes than the number prescribed by the chart. (Note: 38 of these 55 tax levy classes corresponded to 38 of the 60 Program classes which exceeded the Look-Up Chart amounts as noted previously.) Consequently, we concluded that Program classes were often used as substitutes for tax levy classes, which is inconsistent with the Program's maintenance of effort provision.

For example, at PS 114 in the Bronx, seven 3<sup>rd</sup> grade classes should have been funded by tax levy money, in addition to the one Program class, for a total of eight 3<sup>rd</sup> grade classes. Although the actual number of 3<sup>rd</sup> grade classes was eight, five were charged to Program funds instead of one. Consequently, DoE funded four fewer classes with tax levy funding than prescribed by the Look-Up Chart.

In another example, at PS 81 in Brooklyn, three classes should have been funded by tax levy money, in addition to the one Program class, for a total of four 2<sup>nd</sup> grade classes. Although the actual number of 2<sup>nd</sup> grade classes at PS 81 was four, two were charged to the Program. Consequently, DoE funded one less tax levy class and one more Program class than prescribed by the Look-Up Chart.

As noted previously, the goal of the Program is to reduce the number of students in each class to an average of 20. We analyzed the impact that Program classes had on the average class size at the 54 schools we visited and found that 23 Program classes were created when the average class size was already below 20. In one example, three classes (of which two

were Program-funded) were created in the 1<sup>st</sup> grade at PS 43 in Queens, bringing the total number of 1<sup>st</sup> grade classes to 8 and reducing the average number of students in each class to 16.5. However, with 132 students in the grade, it was only necessary to have seven classes to reduce the average class enrollment to less than 20 students. This is also the case in the 1<sup>st</sup> grade at PS 223 in Queens. Two Program classes were created, bringing the total to six classes and dropping the average number of students in each class down to 15.7. However, with 94 students in the grade, it was only necessary to have five classes to reduce the average to less than 20 students.

Program classes were also not added at the specific grade levels where the Look-Up Chart showed that they were needed. For example, in the 3<sup>rd</sup> grade at PS 102 in Brooklyn, the school used Program funds for one class in excess of the number recommended in the Look-Up Chart, although there was no Program allocation for the 2<sup>nd</sup> grade that had an average class size of 23.7 students. Consequently, the 3<sup>rd</sup> grade class created through the Program might have been at the expense of a 2<sup>nd</sup> grade class that was needed. In another example, at PS 43 in Queens, the school created one more kindergarten class than prescribed by the Look-Up Chart, although the 3<sup>rd</sup> grade (with an average class size of 22.3 students) was entitled to two new classes, but received none. As a result, we conclude that an entire class was created in kindergarten at the expense of a 3<sup>rd</sup> grade class that was needed. At the 54 schools, we identified a total of five instances wherein unnecessary Program classes were created at one grade level at the expense of a class needed at another grade.

Furthermore, based on our review of 2003-04 data for the entire school system, we identified 110 instances in 98 schools where there was a need for additional classes in one grade, but instead, classes had been created in another grade. For example, PS 110 in Manhattan had a 3<sup>rd</sup> grade enrollment of 50 students and two classes of 25 students. According to the Look-Up Chart, the school was entitled to add one additional class to reduce the class size. In fact, the school received Program funding for one additional class, but used the funding to add a kindergarten class, where the class size was initially 20 students per class. As a result, the class size in the kindergarten was reduced to 13.3 students per class, but stayed at 25 students per class in the 3<sup>rd</sup> grade.

We also analyzed system-wide information for the 2003-04 year to determine if funds were allocated to and classes were created at schools that had the capacity and programmatic need for classes. We compared building capacity data, student class size data and Look-Up Chart requirements to determine if some schools that needed Program classes, based upon reported class size, did not receive Program funds, even though they had the capacity to create additional classes. Using the information on building capacity, we identified schools that had a reported enrollment of 85 percent or less of the building's rated capacity. For each of these schools, we compared the reported number of actual classes by grade to the number of classes called for by the Look-Up Chart. We then identified the schools with available space and the need for additional classes. Based on our analysis, we determined that DoE does not always consider capacity when allocating funding, and funding sometimes goes to schools that do not have the space to create new classes.

Specifically, we identified 82 schools that needed a total of 163 classes (as prescribed by the Look-Up Chart) and had space to create additional classes, but did not receive allocations for them. There were 11 such schools in Manhattan, 9 schools in the Bronx, 45 schools in Brooklyn, 10 schools in Queens and 7 schools in Staten Island. Using the same data, we also identified 130 schools that received 237 more classes than were required to reach the goal of 20 students or less per class. Thus, it appears that Program resources (and classes) were often not placed where they were most needed.

In response to our draft report, DoE officials stated that the Look-Up Chart does not dictate to local educational leaders the number of classes that should or must be created with Program funds. Officials added that local education leaders may exercise discretion to allocate funds for fewer or more tax levy and/or Program classes than the Look-Up Chart suggests based on their holistic assessment of the competing needs of the schools under their purview. For example, local officials might deviate from the Look-Up Chart because of significant variances in schools' relative academic needs. Moreover, senior DoE officials made a determination to allocate Program funds to the Regions, for sub-allocation to the schools, based largely on the qualitative assessments by local education leaders who were most familiar with the schools.

We acknowledge that central and local DoE officials should assess Program funding allocation matters from a holistic

perspective. However, there was no documentation of the reasons (either qualitative or quantitative) for deviations from the Look-Up Chart. Consequently, we continue to question the disparities in Program funding allocations that we identified. Specifically, we question whether comparative academic needs contributed greatly to the deviations from the Look-Up Chart that we identified.

The Program requires DoE, when allocating funding, to consider the relative academic performances of the schools. Therefore, we analyzed student performance data on standardized tests for the 82 schools that needed Program classes (but did not receive them) and for the 130 schools that received Program classes (but apparently did not need them). Our review of data for the Fourth Grade Mathematics and the English Language Arts examinations disclosed that the proportions of students scoring in Zones 1 and 2 (the lowest performance ranges) for both groups of schools were very similar. Therefore, we question whether DoE had sufficient justification to allocate Program funding to the 130 schools that did not need classes (per the Look-Up Chart) when 82 other schools needed Program classes (per the Chart), but did not receive them.

We further analyzed capacity utilization and Program allocation data to determine if Program positions were allocated to schools that were over capacity, and therefore, they did not have space readily available to add new classes. For the 2003-04 year, we identified 107 schools with capacity utilization rates ranging from 103 percent to 173 percent of capacity utilization (at 20 students per class) that received a total of 284.1 full-time equivalent Program positions. These schools had an overall capacity utilization rate of 122 percent. Although it would appear that these schools had limited capability to add new classes, DoE allocated 284 positions to them. PS 19 in Queens, for example, had 8.6 Program positions allocated to it, although the school's capacity utilization rate was 119 percent.

When classroom capacity was not available at schools, DoE sometimes used Program funding for "team teachers" - or teachers assigned to classes that already had a teacher assigned. The team teacher assists the other teacher by either leading instruction or assisting small groups or individual students. At one of the schools we visited, we noted four instances where Program-funded teachers were actually team teachers. For example, a Program-funded teacher and a tax levy teacher shared the same classroom in the second grade,

and both teachers had a roster of 13 students. The school considered this as two separate classes, although only one classroom was used. However, we conclude this arrangement is not consistent with the Program's requirement for discrete new classes with teachers. According to DoE officials, DoE used Program funding for 334 team teachers who were assigned (system-wide) to inclusion classes during the 2003-04 school year. In addition, at another school, officials advised us that two teachers were charged to the Program even though they were on extended paid leaves of absence. Again, in this instance, DoE had not created new classes through the use of Program funds.

We also determined that there may be opportunities to reduce the number of large classes by adjusting schools' service boundaries to even out utilization rates among the schools. Public school students are generally assigned to the school in close proximity to their residence. In more heavily populated areas, public schools may also be in close proximity to one another. A student's assignment is based on school boundary lines (also referred to as "attendance zones") determined by DoE officials. However, according to the available information provided to us, DoE officials have made limited adjustments to the attendance zone boundaries in recent years. Moreover, as noted previously, there was a wide range in capacity utilization among DoE's 718 schools. Consequently, we concluded that DoE officials should formally assess current attendance zone boundaries and adjust them as appropriate.

As part of our audit, we looked at the capacity utilization rates of individual schools within close proximity of each other. Our objective was to identify several pairs of schools, where one school was at 120 percent of capacity or more while a neighboring school was at 80 percent of capacity, thus indicating that a school's service boundaries might need to be changed.

Here are examples of what we identified:

- PS 83 in Manhattan reported a 133 percent overall space utilization rate and an average early grade class size of 24.6 students while PS 102, located only four blocks to the north, reported a building utilization rate of 66 percent and an average early grade class size of 15.8 students.

- In Brooklyn, PS 97 reported overall usage at 124 percent of capacity and an average early grade class size of 24.4 students. However, just a few blocks away, PS 128 reported only a 78 percent overall capacity utilization and an average early grade class size of 22.6 students.
- In the Bronx, PS 236 had an average early grade class size of 24.5 students with an overall classroom utilization rate of 143 percent. In comparison, PS 58, a few blocks away, reported an average early grade class size of 19.4 students with an overall capacity utilization rate of 85 percent.

DoE officials indicated that any revisions to school boundaries must be done in consultation with local communities and must have the approval of Community Education Councils. Officials further indicated that some parents might not want their children transferred from one school to another because of revisions to zoning boundaries. Also, officials stated that quantitative analysis cannot be substituted for the qualitative judgments by local education leaders. We acknowledge that a holistic approach (using both qualitative and quantitative factors) should be used to establish schools' zoning boundaries. However, senior DoE Central Office officials need to ensure that this matter is addressed timely and documented appropriately.

Neither the Education Law nor the corresponding Commissioner of Education's Regulations require districts to perform a formal analysis of classroom space availability in relation to their formal Program plans. Consequently, this was not done. Although there is no Program requirement that such analyses be performed in order to receive Program funding, we conclude that such analyses could provide senior DoE officials with important information for planning how Program funds should be allocated to most effectively implement the Program.

We conclude that DoE has opportunities to reduce the ranges of early grade class sizes throughout the regions and thereby maximize the educational benefits of the Program to the children. This would involve DoE doing the types of analyses we performed during our audit, and ensuring that resources are allocated to where they are most needed. DoE needs to use the Look-Up Chart as well as the "Blue Book" in making these funding allocations.



## Recommendations

3. Develop formal procedures to ensure that Program funding allocations are for additional classes as determined through formal analysis of the enrollments of the early grades within each Program eligible school.
4. Develop formal processes to ensure that school building capacities are appropriately factored into Program funding allocation determinations.

(DoE officials did not explicitly agree or disagree with the recommendations numbers 3 and 4. However, officials stated that they will examine ways to support the decision making processes of local education leaders. Specifically, they will consider the design and dissemination of additional reports of academic performance, enrollment, capacity and utilization factors to aid local leaders with their holistic assessments of needs for Program funding.)

5. Do not charge the personal services costs for team teachers and teachers on extended leave, who do not contribute to the creation of discrete new early grade classes, to the Program.

(DoE officials agreed with the recommendation and indicated that they will enhance field training and central monitoring to ensure that such teachers are not charged to the Program.)

6. Formally review school boundary lines to identify opportunities to reduce class sizes in overcrowded schools and more fully utilize schools with comparatively lower capacity utilization rates.

(DoE officials did not explicitly agree or disagree with the recommendation. However, they stated that they do not believe any changes to their approach to attendance zone boundary lines is necessary at this time.)

**New York City Department of Education  
 Summary of Total Early Grade Classes and  
 New Early Grade Classes Created  
 For The School Years 1999-2000 Through 2004-2005**

School Year	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Base Year Number of K-3 Classes	13,267	13,267	13,267	13,267	13,267	13,267
Target Number of New K-3 Classes To Be Created by DoE (Per SED)	856	1,589	1,589	1,586	1,586	1,586
Total Number of K-3 Classes To Be Provided by DoE	14,123	14,856	14,856	14,853	14,853	14,853
Total Number of K-3 Classes Actually Provided by DoE	14,103	14,163	14,148	13,918	13,574	13,287
Total Number of New K-3 Classes Actually Added By DoE	836	896	881	651	307	20
Surplus (Shortage) of New K-3 Classes Actually Created by DoE	(20)	(693)	(708)	(935)	(1,279)	(1,566)
Percentage of Surplus (Shortage) of New K-3 Classes Actually Created	(2.3%)	(43.6%)	(44.6%)	(59.0%)	(80.6%)	(98.7%)



**EXHIBIT B**

**New York City Department of Education  
Distribution Analysis of Kindergarten Classes by Enrollment  
For the 2004-2005 School Year**

Class Size	Classes		Students		Cumulative Average
	Individual	Cumulative	Individual	Cumulative	
10	11	11	110	110	10.00
11	10	21	110	220	10.48
12	12	33	144	364	11.03
13	32	65	416	780	12.00
14	66	131	924	1,704	13.01
15	83	214	1,245	2,949	13.78
16	130	344	2,080	5,029	14.62
17	160	504	2,720	7,749	15.38
18	245	749	4,410	12,159	16.23
19	272	1,021	5,168	17,327	16.97
20	366	1,387	7,320	24,647	17.77
21	353	1,740	7,413	32,060	18.43
22	334	2,074	7,348	39,408	19.00
23	274	2,348	6,302	45,710	19.47
24	240	2,588	5,760	51,470	19.89
25	287	2,875	7,175	58,645	20.40
26	86	2,961	2,236	60,881	20.56
27	60	3,021	1,620	62,501	20.69
28	46	3,067	1,288	63,789	20.80
29	14	3,081	406	64,195	20.84
30	5	3,086	150	64,345	20.85
31	0	3,086	0	64,345	20.85
32	0	3,086	0	64,345	20.85
33	0	3,086	0	64,345	20.85
34	0	3,086	0	64,345	20.85
35	0	3,086	0	64,345	20.85
36	1	3,087	36	64,381	20.86
37+	0	3,087	0	64,381	20.86

Classes ≤ 20		Classes = 21-25		Classes ≥ 26	
Number	Percent	Number	Percent	Number	Percent
1,387	45	1,488	48	212	7



**New York City Department of Education  
Distribution Analysis of Grade 1 Classes by Enrollment  
For the 2004-2005 School Year**

Class Size	Classes		Students		Cumulative Average
	Individual	Cumulative	Individual	Cumulative	
10	7	7	70	70	10.00
11	10	17	110	180	10.59
12	13	30	156	336	11.20
13	24	54	312	648	12.00
14	27	81	378	1,026	12.67
15	51	132	765	1,791	13.57
16	91	223	1,456	3,247	14.56
17	160	383	2,720	5,967	15.58
18	240	623	4,320	10,287	16.51
19	321	944	6,099	16,386	17.36
20	398	1,342	7,960	24,346	18.14
21	440	1,782	9,240	33,586	18.85
22	346	2,128	7,612	41,198	19.36
23	282	2,410	6,486	47,684	19.79
24	266	2,676	6,384	54,068	20.20
25	291	2,967	7,275	61,343	20.68
26	189	3,156	4,914	66,257	20.99
27	141	3,297	3,807	70,064	21.25
28	111	3,408	3,108	73,172	21.47
29	31	3,439	899	74,071	21.54
30	11	3,450	330	74,401	21.57
31	3	3,453	93	74,494	21.57
32	3	3,456	96	74,590	21.58
33	3	3,459	99	74,689	21.59
34	2	3,461	68	74,757	21.60
35+	0	3,461	0	74,757	21.60

Classes ≤ 20		Classes = 21-25		Classes ≥ 26	
Number	Percent	Number	Percent	Number	Percent
1,342	39	1,625	47	494	14



**EXHIBIT D**

**New York City Department of Education  
Distribution Analysis of Grade 2 Classes by Enrollment  
For the 2004-2005 School Year**

Class Size	Classes		Students		Cumulative Average
	Individual	Cumulative	Individual	Cumulative	
10	7	7	70	70	10.00
11	13	20	143	213	10.65
12	20	40	240	453	11.33
13	21	61	273	726	11.90
14	51	112	714	1,440	12.86
15	79	191	1,185	2,625	13.74
16	114	305	1,824	4,449	14.59
17	197	502	3,349	7,798	15.53
18	239	741	4,302	12,100	16.33
19	318	1,059	6,042	18,142	17.13
20	343	1,402	6,860	25,002	17.83
21	381	1,783	8,001	33,003	18.51
22	357	2,140	7,854	40,857	19.09
23	291	2,431	6,693	47,550	19.56
24	260	2,691	6,240	53,790	19.99
25	196	2,887	4,900	58,690	20.33
26	207	3,094	5,382	64,072	20.71
27	124	3,218	3,348	67,420	20.95
28	93	3,311	2,604	70,024	21.15
29	21	3,332	609	70,633	21.20
30	9	3,341	270	70,903	21.22
31	4	3,345	124	71,027	21.23
32	6	3,351	192	71,219	21.25
33	3	3,354	99	71,318	21.26
34	1	3,355	34	71,352	21.27
35+	0	3,355	0	71,352	21.27

Classes ≤ 20		Classes = 21-25		Classes ≥ 26	
Number	Percent	Number	Percent	Number	Percent
1,402	42	1,485	44	468	14





**New York City Department of Education  
Distribution Analysis of Grade 3 Classes by Enrollment  
For the 2004-2005 School Year**

Class Size	Classes		Students		Cumulative Average
	Individual	Cumulative	Individual	Cumulative	
10	8	8	80	80	10.00
11	9	17	99	179	10.53
12	12	29	144	323	11.14
13	29	58	377	700	12.07
14	43	101	602	1,302	12.89
15	62	163	930	2,232	13.69
16	136	299	2,176	4,408	14.74
17	196	495	3,332	7,740	15.64
18	242	737	4,356	12,096	16.41
19	303	1,040	5,757	17,853	17.17
20	332	1,372	6,640	24,493	17.85
21	310	1,682	6,510	31,003	18.43
22	336	2,018	7,392	38,395	19.03
23	267	2,285	6,141	44,536	19.49
24	296	2,581	7,104	51,640	20.01
25	266	2,847	6,650	58,290	20.47
26	204	3,051	5,304	63,594	20.84
27	123	3,174	3,321	66,915	21.08
28	127	3,301	3,556	70,471	21.35
29	40	3,341	1,160	71,631	21.44
30	18	3,359	540	72,171	21.49
31	10	3,369	310	72,481	21.51
32	10	3,379	320	72,801	21.55
33	3	3,382	99	72,900	21.56
34	1	3,383	34	72,934	21.56
35	0	3,383	0	72,934	21.56
36	0	3,383	0	72,934	21.56
37	0	3,383	0	72,934	21.56
38	1	3,384	38	72,972	21.56
39+	0	3,384	0	72,972	21.56

Classes ≤ 20		Classes = 21-25		Classes ≥ 26	
Number	Percent	Number	Percent	Number	Percent
1,372	40	1,475	44	537	16



**New York City Department of Education  
Distribution Analysis of Kindergarten through Grade 3  
Classes by Enrollment  
For the 2004-2005 School Year**

Class Size	Classes		Students		Cumulative Average
	Individual	Cumulative	Individual	Cumulative	
10	33	33	330	330	10.00
11	42	75	462	792	10.56
12	57	132	684	1,476	11.18
13	106	238	1,378	2,854	11.99
14	187	425	2,618	5,472	12.88
15	275	700	4,125	9,597	13.71
16	471	1,171	7,536	17,133	14.63
17	713	1,884	12,121	29,254	15.53
18	966	2,850	17,388	46,642	16.37
19	1,214	4,064	23,066	69,708	17.15
20	1,439	5,503	28,780	98,488	17.90
21	1,484	6,987	31,164	129,652	18.56
22	1,373	8,360	30,206	159,858	19.12
23	1,114	9,474	25,622	185,480	19.58
24	1,062	10,536	25,488	210,968	20.02
25	1,040	11,576	26,000	236,968	20.47
26	686	12,262	17,836	254,804	20.78
27	448	12,710	12,096	266,900	21.00
28	377	13,087	10,556	277,456	21.20
29	106	13,193	3,074	280,530	21.26
30	43	13,236	1,290	281,820	21.29
31	17	13,253	527	282,347	21.30
32	19	13,272	608	282,955	21.32
33	9	13,281	297	283,252	21.33
34	4	13,285	136	283,388	21.33
35	0	13,285	0	283,388	21.33
36	1	13,286	36	283,424	21.33
37	0	13,286	0	283,424	21.33
38	1	13,287	38	283,462	21.33
39+	0	13,287	0	283,462	21.33

Classes ≤ 20		Classes = 21-25		Classes ≥ 26	
Number	Percent	Number	Percent	Number	Percent
5,503	41	6,073	46	1,711	13



**New York City Department of Education  
Summary of Capacity Utilization Rates by School District  
For the 2003-2004 School Year**

<b>District No.</b>	<b>Region No.</b>	<b>Borough</b>	<b>Utilization Rate (%)</b>
1	9	Manhattan	72
2	9	Manhattan	94
3	10	Manhattan	82
4	9	Manhattan	80
5	10	Manhattan	76
6	10	Manhattan	111
7	9	Bronx	82
8	2	Bronx	93
9	1	Bronx	98
10	1	Bronx	111
11	2	Bronx	108
12	2	Bronx	88
13	8	Brooklyn	72
14	8	Brooklyn	75
15	8	Brooklyn	96
16	8	Brooklyn	71
17	6	Brooklyn	91
18	6	Brooklyn	88
19	5	Brooklyn	90
20	7	Brooklyn	108
21	7	Brooklyn	91
22	6	Brooklyn	105
23	5	Brooklyn	84
24	4	Queens	113
25	3	Queens	97
26	3	Queens	101
27	5	Queens	101
28	3	Queens	102
29	3	Queens	96
30	4	Queens	103
31	7	Staten Island	97
32	4	Brooklyn	92



**New York City Department of Education  
Early Grade Class Size Reduction Program  
List of 54 Public Schools Visited by Region**

Region	District	Borough	School
1	9	Bronx	PS 055
1	9	Bronx	PS 064
1	9	Bronx	PS 090
1	9	Bronx	PS 114
1	9	Bronx	PS 230
2	8	Bronx	PS 093
2	11	Bronx	PS 068
2	11	Bronx	PS 096
2	12	Bronx	PS 047
2	12	Bronx	PS 102
2	12	Bronx	PS 197
3	25	Queens	PS 020
3	28	Queens	PS 040
4	24	Queens	PS 081
4	24	Queens	PS 089
4	30	Queens	PS 148
4	32	Brooklyn	PS 045
4	32	Brooklyn	PS 145
5	19	Brooklyn	PS 013
5	19	Brooklyn	PS 214
5	27	Queens	PS 043
5	27	Queens	PS 062
5	27	Queens	PS 063
5	27	Queens	PS 108
5	27	Queens	PS 223
5	27	Queens	PS 225
6	17	Brooklyn	PS 249
6	18	Brooklyn	PS 135

Region	District	Borough	School
7	20	Brooklyn	PS 102
7	31	Staten Island	PS 013
7	31	Staten Island	PS 022
7	31	Staten Island	PS 032
7	31	Staten Island	PS 036
7	31	Staten Island	PS 042
7	31	Staten Island	PS 044
7	31	Staten Island	PS 045
7	31	Staten Island	PS 057
8	15	Brooklyn	PS 001
8	15	Brooklyn	PS 024
8	15	Brooklyn	PS 124
8	15	Brooklyn	PS 169
8	15	Brooklyn	PS 230
8	16	Brooklyn	PS 081
8	16	Brooklyn	PS 335
9	4	Manhattan	PS 101
9	7	Bronx	PS 030
9	7	Bronx	PS 031
10	3	Manhattan	PS 165
10	5	Manhattan	PS 036
10	5	Manhattan	PS 046
10	5	Manhattan	PS 154
10	5	Manhattan	PS 161
10	6	Manhattan	PS 098
10	6	Manhattan	PS 128





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**THE NEW YORK CITY DEPARTMENT OF EDUCATION**

JOEL I. KLEIN, *Chancellor*

**Kathleen Grimm, Deputy Chancellor for Finance and Administration**

November 7, 2005

Mr. Steven E. Sossei  
Audit Director  
Office of the State Comptroller  
110 State Street  
Albany, New York 12236

Re: Report 2005-N-3

Dear Mr. Sossei:

Per your letter of September 7, 2005, enclosed are the New York City Department of Education's (Department) formal comments on the draft audit report by the Office of the State Comptroller (OSC) in its audit of the Department's Administration of the Early Grade Class Size Reduction Program, for inclusion as an Appendix to the OSC's final report.

Very truly yours,

A handwritten signature in black ink that reads "Kathleen Grimm".

Kathleen Grimm  
Deputy Chancellor  
for Finance and Administration

Enclosure

cc: Joel Klein  
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**New York City Department of Education’s Formal Comments on Office of the State Comptroller’s Draft Audit Report on Early Grade Class Size Reduction**

System-wide, the New York City Department of Education (Department) has used Early Grade Class Size Reduction Program (EGCSRP or Program) funds, plus significant additional funding from federal grants and local tax levy, to produce a meaningful and steady decline in average class sizes in Grades K-3. Since the 1999-2000 school year, the base year of the Program, the Department has reduced average class size in kindergarten from 23.9 to 20.8, in Grade 1 from 25.2 to 21.7, in Grade 2 from 25.1 to 21.2, and in Grade 3 from 25.5 to 21.5.<sup>1</sup>

Moreover, contrary to the findings in the Office of the State Comptroller’s (OSC) draft audit report, the Department has used Program funds, as well as federal grant and local tax levy funds, to create *more* new classes in Grades K-3 than the target of 1,586 in the Program grant. Applying the methodology supported by the EGCS statute, as amended in 2005, the Department has not only met its “maintenance of effort” obligations under the Program, but gone far beyond those obligations to further the statute’s goal of reducing average class sizes in the early grades, creating 1,840 new classes in Grades K-3<sup>2</sup> and contributing approximately \$141,900,000 of its own local tax levy allocation to class size reduction efforts in Grades K-3 since the 2000-2001 school year, even as teacher costs rose and EGCSRP funding from the State remained stagnant.

\*  
Note  
1

The Department’s methodology for the allocation of Program funding to schools is also entirely consistent with the EGCS statute, as local educational leaders are instructed to consider average class sizes, academic performance and space availability in the schools under their supervision in order to give priority to those schools determined to have the greatest need for Program funding.

\*  
Note  
2

The large size and complexity of the New York City public school system and the need to assess schools’ budget and staffing needs early enough to set budgets, hire teachers and set up classes at the beginning of each school year, means local educational leaders need to make Program allocation determinations in the Spring for the following school year. As a result, determinations are based on the Department’s best enrollment projections. However, even our best projection methods cannot fully account for the high mobility of our student population or the fact that actual school enrollments can remain quite fluid throughout the year, especially during the opening weeks of school.

In making allocation decisions, local educational leaders take into consideration a variety of factors, including projected enrollment, building capacity, special populations, student achievement, and other qualitative and quantitative indicators of student need. To support good planning and educational excellence, we seek to provide school leaders

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<sup>1</sup> These class size calculations use the methodology consistent with the data published in the annual Mayor’s Management Report, and exclude all classes with fewer than five students, special education classes, bridge classes and collaborative team teaching classes.

<sup>2</sup> See chart on p. 5.

with as much stability as possible in their budgets and policy mandates in order to provide a coherent, high-quality program for students. In the absence of very dramatic fluctuations in enrollment, the Department's policy favors classroom stability over moving teachers and students in and out of classrooms after the school year has begun. In the spring, the Department's local educational leaders use their best judgment with the information available to ensure that their allocation of Program funds gives priority to schools with the greatest need. If in the fall, enrollments experience minor shifts, the Department seeks to maintain staffing decisions rather than disrupt ongoing school operations.

The Department believes that the allocation determinations of those local educational leaders are made in a manner fully consistent with the letter and the spirit of the Early Grade Class Size legislation. However, the Department will continue to examine ways in which we can further support the decision-making process of those educational leaders by providing additional tools to facilitate their consideration of academic performance, enrollment, building capacity and utilization factors in making allocation determinations.

### **Background**

The Early Grade Class Size Reduction Program was initiated by the New York State Legislature in 1997 "for the purpose of reducing class size in grades kindergarten, one, two and three." NY State Ed Law § 3602(37). The law sets a goal of reducing class size in those grades "to not more than twenty students per class, *to the extent the funds available pursuant to this subdivision are sufficient to meet such goal.*" NY State Ed Law § 3602(37)(b)(i) (emphasis added).

As the OSC notes in its draft audit report, the State Legislature intended to phase in the Program and appropriations were intended to increase annually. The grant funds were to be used by participating districts "in reducing class size or maintaining class size...which shall include but need not be limited to, salaries and benefits for additional teachers, costs of supplies and materials, and certain facilities costs." NY State Ed Law § 3602(37)(i). However, the Program has been underfunded since its inception,<sup>3</sup> and appropriations, intended to increase annually, were capped after the Program's second year in 2000-2001. Accordingly, to maintain any gains in class size reduction, let alone to further such gains, the Department funded an increasing proportion of the classes created above the baseline level with federal and local tax levy funds.

An amendment made to the EGCS statute in 2005 makes clear that the evaluation of a school district's maintenance of effort as well as its implementation of the Program must be integrated with shifting financial and demographic realities and thus tied to the ultimate impact on class size reduction.

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<sup>3</sup> The state EGCS statute makes the "basic grant per classroom" a function of a school district's median salary for a sixth-year teacher in 1994-95, and has not accounted for increases in the cost of teacher salaries or benefits. NY State Ed Law § 3602(37)(d).

§ 10. Paragraph h of subdivision 37 of section 3602 of the education law, as added by section 57 of part A of chapter 436 of the laws of 1997, is amended to read as follows:

h. Notwithstanding the provisions of paragraphs f and g of this subdivision, a school district which: (i) spends less in local funds during the current year than in the base year for the salaries and benefits of teachers in grades kindergarten through three~~[, or which]~~ and has fewer classrooms for grades kindergarten through three in the current year than in the base year, and has a higher average class size in the current year in common branch classrooms in grades kindergarten through three than it had in the nineteen hundred ninety-eight--ninety-nine school year; or (ii) spends funds apportioned under this subdivision in an unauthorized manner, shall have its apportionment reduced in an amount equal to such deficiency in the current year or in the succeeding school year, as determined by the commissioner. Local costs incurred in implementing a district plan pursuant to this subdivision other than facility costs shall be ordinary contingent expenses.

S3667/A6841 was passed by the legislature on March 31, 2005 and signed by the Governor on April 12, 2005 as Chapter 57 of the Laws of 2005 (redlined to illustrate the amendment's changes to the original text of the statute).

In the 2004-2005 school year, the Department spent *more* in local funds than in the base year for the salaries and benefits of teachers in grades kindergarten through three and had a materially *lower* average class size than in the base year in grades kindergarten through three. Therefore, the Department is clearly in compliance with the EGCS statute.

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Note  
3

The statute also requires participating school districts to implement the Program in a manner that “will not adversely impact the class size of other grades” and allows up to ten percent of grant funds to be used “to ensure reasonable class size in grades four and above.” NY State Ed Law § 3602(37)(b)(vi). That requirement further compels consideration of enrollment shifts from early to later grades.

#### **New Class Creation and Maintenance of Effort**

In view of the statutory and funding context detailed above, the Department believes that the OSC's methodology for measuring new classes and maintenance of effort, and thus its assertion that the Department did not create a sufficient number of new classes, is flawed and is inconsistent with both common sense and the clear aim of the EGCSR.

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Note  
4

Were the statute aimed at early grade class creation or early grade teacher hiring, OSC's methodology for measuring the Department's maintenance of effort might be

warranted. However, the clear aim of the statute is not class creation qua class creation, but rather class creation for the service of class size reduction. Accordingly, any analysis of new class creation and maintenance of effort must be viewed with respect to their service of the ultimate purpose – reducing class size. They should not and cannot be analyzed in a vacuum. The OSC, however, subjugates the ends of the program to the means by suggesting that both maintenance of effort and the “targets” for measuring the sufficiency of the Department’s implementation of the EGCSRP be calculated based solely on the gross number of K-3 classes in each program year as compared against the number of K-3 classes in the base year, regardless of shifting register counts and their ultimate impact on class size reduction.

\*  
Note  
5

Practical financial and demographic realities have to be considered when measuring any district’s maintenance of effort. Maintenance of effort is tied to a district’s tax levy budget and budget allocation, and tax levy allocation follows the students. If enrollment is declining as it has been for NYCDOE students in Grades K-3 then the baseline budget available to establish classes in Grades K-3 will be concomitantly reduced. This will occur even as the district’s overall budget may grow due to enrollment increases in higher grades and overall cost increases. The budget must follow students to ensure that schools and grades with increasing enrollments have the teachers they need to accommodate their larger registers without unduly raising class sizes.

\*  
Note  
6

Tax levy funding levels from the City of New York to the Department are adjusted annually based on enrollment. Thus, if the register in the early grades decreases – as it did between 1998-99 and 2004-05<sup>4</sup> – those grades in a given year will pull fewer New York City dollars to the Department than they otherwise would if the register stayed the same or increased. In other words, New York City does not make allocations to the Department to maintain the absolute number of classes that existed in the previous year regardless of enrollment – an unstated premise of the OSC’s new class calculation method.

\*  
Note  
7

Nothing in the EGCS statute or regulations precludes an adjustment in the expectation of new K-3 classes commensurate with declining K-3 enrollment and corresponding adjustments to local funding levels. The OSC’s methodology would in fact require the Department to increase its per pupil tax levy funding of grades K-3 to maintain the same number of classes despite declining enrollment, a result clearly not required by the statute.<sup>5</sup> System-wide, such a methodology would also force the

<sup>4</sup> The K-3 register was 317,515 in 1998-99. The register in the subsequent six years is illustrated in the table below.

<sup>5</sup> Moreover, the OSC’s “maintenance of effort” standard is entirely inconsistent with the methodology OSC itself employs when making its findings on the Department’s internal funding allocations. In that section, the OSC alleges that the Department failed to “fairly” allocate EGCSRP funds among schools based on the number of classes needed according to the Department’s “turnaround” document to drop average class size from 25 to 20, and accuses the Department of inequities. As described above, the OSC’s own measure of “maintenance of effort” would in many instances *require* an inequitable class-size result, contrary to the statutory mandate on the Department to devise a plan that “will not adversely impact the class size of other

\*  
Note  
8



Department to divert tax levy funding from the higher grades for additional teachers to keep pace with increasing enrollments. Such a diversion would be in direct contradiction of the statutory mandate that participating school districts implement the Program in a manner that “will not adversely impact the class size of other grades.”

\*  
Note  
9

In grades K-3, before consideration of EGCS reduction, the Department requires that tax levy funds be used to establish an average class size in the vicinity of 25, with an allowance for “breakage” in a grade of up to one-half of that figure before a new class would have to be created. Accordingly, the Department directed that state EGCS funds be used to create or maintain new and smaller classes to reduce class size below the baseline of 25.<sup>6</sup>

Under that standard, the extent to which the NYCDOE had created sufficient new classes would be measured by the number of K-3 classes that were created beyond those necessary to meet the City-prescribed average of 25, as illustrated by the table below.

NYC Department of Education Information					
School Year	K-3 Enrollment	Baseline Number of K-3 Classes @ 25	Actual K-3 Classes	Classes Created Above Baseline Level	Average K-3 Class Size
1999-00	316,124	12,645	13,569	924	23.3
2000-01	305,962	12,238	13,641	1,403	22.4
2001-02	295,860	11,834	13,354	1,520	22.2
2002-03	285,971	11,439	13,157	1,718	21.7
2003-04	276,795	11,072	12,810	1,738	21.6
2004-05	266,367	10,655	12,495	1,840	21.3

\*  
Note  
10

As the table reflects, the Department not only met its target of 1,586 new classes, but well exceeded it in each of the last three school years, increasing the number of new classes created in each year of the Program and a total of 1,840 new classes by the 2004-05 school year. The SED has accepted our annual reports without challenge to the methodology of using 25 students per class as the baseline from which new class creation is measured.<sup>7</sup> Our sole quarrel on methodology has been with the OSC.

grades”. NY State Ed Law § 3602(37)(b)(vi).

<sup>6</sup> We provided a more detailed explanation of these matters to the OSC auditors in the course of the audit.

<sup>7</sup> On page 14 of its draft audit report, the OSC states that “[w]hen the DoE’s methodology is applied citywide, the aggregate difference is the number of additional classes funded (but not necessarily created) by the Program.” That is incorrect. The Department’s methodology is for the counting of new classes actually created beyond that needed to maintain 25 pupils per class, **not** the number of new classes funded with EGCSRP money. Of course, as the OSC knows, the State EGCS money is not nearly sufficient to fund the number of new classes created by the Department.

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Note  
11

\* See State Comptroller’s Notes, pages 64 - 65

The Department exceeded its target for new class creation despite the fact that State funding for the Program has been capped at \$88.8 million since the second Program year and the reality of rising teacher costs. As OSC noted in its draft report, the Department has contributed significant amounts of federal and local tax levy funding to the implementation of the Program – approximately \$260 million since the 2000-01 school year. In 2004-05 the State contribution of \$88.8 million would fund the creation of only 994 new classes in Grades K-3, assuming average teacher salaries and benefits, whereas the Department has created 1,840 new classes in those grades.

\*  
Note  
1

#### Response to Recommendations 1-2

Accordingly, we disagree with **Recommendation 1** of the OSC’s draft audit report because we disagree with the OSC’s methodology for calculating the number of new classes created. We have met and in fact exceeded the targets prescribed by SED for new class creation in Grades K-3.

\*  
Notes  
1 and 4

With respect to **Recommendation 2**, the Department has always embraced and continues to embrace the goal of reducing class size in Grades K-3 “to not more than twenty students per class, to the extent the funds available pursuant to this subdivision are sufficient to meet such goal.” NY State Ed Law § 3602(37)(b)(i). It is because of the Department’s own strong commitment to early grade class size reduction that, despite the tremendous shortfall in the state’s funding of the Program, the Department has continued to dedicate as much as \$68.3 million in federal grant and local tax levy monies a year to new class creation in furtherance of that goal.

#### Allocation of Program Funds to Schools

The EGCS statute requires the Department to devise a plan that “gives priority within the plan to schools within the school district with the greatest need, based on average class size, academic performance, and, for the two thousand two—two thousand three school year in the case of a school district with a shortage of classroom space, space availability.” NY State Ed Law § 3602(37)(b)(v).

The OSC in its draft audit report acknowledges that Central and local educational leaders at the Department should engage in a holistic quantitative and qualitative analysis to determine which schools have the greatest need for Program funding. Despite this statement in the draft audit report, however, we believe that the OSC, in setting forth its findings, is engaging in quantitative analysis as a basis to substitute its own judgments about where classes “should have been” created for the holistic judgments of the local

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Additionally, in footnote 1 on page 14, the OSC states that “[t]he method used to calculate the number of classes that should have been funded under the Program is contained in what is commonly referred to as the Look-Up Chart.” This too is incorrect. As discussed in further detail in the section on allocations, the Look-Up Chart is merely a guide for local educators to use, along with other considerations such as academic performance and space availability, to determine which schools have the greatest need for new classes. The Look Up Chart does **not** reflect “the number of classes that **should have** been funded.”

\*  
Note  
12

educators most familiar with the needs of their schools. Moreover, the OSC appears to be suggesting that Central managers at the Department, too, should seek to use centralized, quantitative data analysis to overrule the holistic judgments of local educational leaders.

\*  
Note  
13

The language of the statute does not dictate how a school district must calculate academic performance or space availability, nor does it dictate how much weight a school district must give to average class size versus academic performance versus space availability in determining which schools have the greatest need. It certainly does not require a school district to submit a plan that allocates EGSCR funding in accordance with any fixed mathematical formula or even in accordance with quantitative data analysis alone.

\*  
Note  
13

Given the large size and complexity of the Department, as well as the fluidity of enrollment and student programmatic needs at our schools, we made a determination to allocate EGCS funds to the Regions for sub-allocation to the schools based largely on the holistic assessments, based on both quantitative and qualitative information, of the local educational leaders most familiar with those schools. The Department's management believes that centralized data analysis must be coupled with the judgment of professional educators based locally in their communities in determining schools "with the greatest need" for class-size reduction.

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Note  
13

#### Class Size Factors

Central Department management uses data in order to provide local educational leaders with tools to help them in their assessments of need for class-size adjustment. The "Look-Up Chart" referenced throughout the OSC's draft audit report is one such tool. Circulated during the Spring semester each year, the Look-Up Chart uses projected enrollment figures for the following school year to calculate the number of classes per school per grade that would be needed to meet a 25 student per class average and the number of classes per school per grade that would be needed to meet a 20 student per class average. It does **not** dictate to local educational leaders the number of classes that "should" or "must" be created with EGCSR funds. It does **not** indicate where new classes are "needed", contrary to the repeated assertions of the OSC in its preliminary findings report. In full accordance with the EGCS statute and the Department's plan submitted to SED pursuant to that statute, the local education leaders may exercise their discretion to allocate funds for fewer or more new classes than the Look-Up Chart "suggests" based on their holistic assessment of the competing needs of the schools under their purview. A school with 25 students per class that is demonstrating significant academic success or positive academic trends, for example, may have less need for class-size reduction than a school with 21 students per class that is struggling. Or, that same school may simply not have the classroom space to create additional classes.

Accordingly, when the OSC states on page 23 of its draft audit report, "We determined that the Look-Up Chart frequently was not followed by DoE," that is exactly as we told the auditors it would be. It is not a deficiency in the Department's

\* See State Comptroller's Notes, page 65

administration of the Program. The data analysis reflected in the Look-Up Chart is a tool for aiding the exercise of educational judgments by education professionals. The OSC should not seek to substitute its judgments about where new classes are “needed” for the judgments of local educational leaders.

We do agree with the OSC that the Department should not be substituting EGCSRP money for other funding sources to pay for classes the Department must create to maintain an average class size of 25. However, we believe that the limited instances in which EGCSRP dollars may appear to have been budgeted to classes “required” under our local commitment represent no deliberate misuse of funds, but rather reflect the difficulty of budgeting across thousands of schools in the Spring for the following Fall on the basis of projected registers that may or may not be proven accurate in the Fall.<sup>8</sup>

For example, on pages 23-24 of its draft audit report, the OSC cites PS 43 in Queens as charging too many classes to the Program in both Grade 1<sup>9</sup> and kindergarten. In both instances, this was attributable to a decline from projected to actual register counts for the grades in question. The projected register for Grade 1 in Spring 2004 was 153 students, which would require the funding of six classes to maintain an average class size of 25, and would suggest the creation of two additional classes to reduce average class size below the threshold of 20 students per class. Accordingly, the school created two new classes in Grade 1 and charged the teachers to Program funds. However, as of October 31, 2004, the actual register for Grade 1 was only 121 students, which would require five classes at 25:1 and six classes at 20:1, rather than the seven classes that had been created. Educationally, it would not have been appropriate once the school year was well underway to eliminate the seventh Grade 1 class and break up the instructional continuity for those children. A similar decline in kindergarten, from a projected enrollment of 130 to an actual enrollment of 121, explains why the school created seven kindergarten classes rather than six, and charged two classes to Program funds. Again, it would have been educationally inappropriate to reduce the number of kindergarten classes and disrupt the continuity of instruction to students once the school year was underway.

\*  
Note  
14

Another example is PS 223, also in Queens, where the OSC, on page 24 of its draft report, found that too many classes were charged to Program funds.<sup>10</sup> The projected register in Grade 1 at PS 223 was 110 students, which would have required four classes at

<sup>8</sup> As noted earlier in these formal comments, the Department only credits itself in its year-end reporting to SED with the creation of a new class where, based on official enrollment counts per school and per grade, classes were created beyond what was needed to maintain an average class size of 25. On a citywide basis, the Department in 2004-05 exceeded its target for new class creation at a cost far exceeding the \$88.8 million in state grant monies apportioned by the State for the Program.

<sup>9</sup> The OSC report incorrectly states that three Program classes were created in Grade 1 at PS 43, when the actual number of Grade 1 classes funded under the Program was two.

<sup>10</sup> The OSC report incorrectly attributes the Program-funded classes to kindergarten, when the classes were in fact created and funded in Grade 1.

\*  
Note  
15

25:1 but six classes at 20:1, explaining the allocation to create two new classes under the Program. As of October 31 the actual register count in Grade 1 was only 97, supporting five classes at 20:1 rather than six. However, from an educational perspective the Department could not remove a teacher from the school in October and disrupt the education of its students.

As noted in the introduction to these formal comments, local educational leaders need to assess schools' relative needs and their capacities for new class creation early enough to set the schools' budgets so that they can hire teachers and set up classes before school opens. For that reason, local educational leaders need to make Program allocation determinations in the Spring for the following school year based on the Department's best enrollment projections. On some occasions, we learn of fluctuations from our Spring enrollment projections in July and August and work with schools and regional leaders to adjust or reassign funds before the start of the school year. However, our best enrollment projections may vary from actual Fall enrollments. In fact, school registers can remain quite fluid throughout the year, and especially through September and October. From an educational perspective, however, we cannot readily take a teacher budgeted with Program money out of a classroom of students in mid-September or October to adjust for an unanticipated decline in enrollment at one school or increase in enrollment at another. Given the unavoidable imprecision of budgeting in the Spring based on projected Fall registers, the Department's local educational leaders have to use their best judgment with the information available to ensure that their allocation of Program funds gives priority to schools with the greatest need and that Program funds are allocated only for "new" classes.<sup>11</sup>

#### School Capacity Factors

In analyzing the capacity of specific schools to create new classrooms in Grades K-3, the OSC relied heavily on the 2003-2004 Enrollment, Capacity and Utilization Report prepared by the School Construction Authority (SCA), commonly referred to as the "Blue Book". While the Blue Book, much like the Look-Up Chart, is a useful tool for Department administrators and local educational leaders to get a broad sense of comparative capacity and utilization across schools, it is not sufficiently fluid to be used alone for determining whether any given school can or cannot create a new early grade

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<sup>11</sup> On that score, the OSC's own field audit findings prove that given this unavoidable imprecision, the Department does a very effective job of ensuring that Program funds are allocated to pay teachers in new classes created above and beyond the number required to maintain average class size of 25. In the OSC's judgmental sample of 54 schools, which was presumably selected upon the OSC's assessment that there was a higher risk of misallocation of Program funds, they came up with a total net error rate of less than two percent. While the draft audit report seeks to highlight schools where the Department appeared, based on actual rather than projected enrollments, to have used Program funds to pay teachers in classes required under the 25:1 standard, the OSC ignored those schools in its own sample where the Department charged fewer early grade classroom teachers to the Program than it was entitled pursuant to the Look-Up Chart. The net difference across the 330 early grade classroom positions at the 54 schools *in the judgmental sample* was 5.17 FTE's arguably "overcharged" to the Program, a very small error rate (1.57 percent) considering that Program funds had to be allocated based on projected enrollments the previous spring.

* Note 16
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\* See State Comptroller's Notes, page 65

class in a given year. For example, the 2003-2004 Blue Book is based on 2003-2004 enrollment figures, and thus does not reflect enrollment changes that may impact a school's capacity to create a new class in 2004-2005.

While the SCA did its best to take the EGCSRP into account in calculating target capacity for 2003-2004 (the first year in which the Blue Book methodology was adjusted to calculate classroom capacity in Grade K-3 at 20 students per class rather than 25 students per class, as in other grades), the Blue Book does not indicate when school leaders decide to convert a general purpose room used for "cluster" classes, or even perhaps used as an office, into a Grade K-3 classroom. Neither does the Blue Book take into account all the specific needs of the school's student population. For example, a school may have 100 students in Grade 1 and five general purpose rooms available for Grade 1 classes. Under the Department's methodology, the school would generally be expected to create four Grade 1 classes with local funding, and could create one new class with EGCSRP funds. However, if 13 students in that school require a bilingual Spanish class, and 12 students require a bilingual Mandarin class, for example, that could leave only three rooms for the remaining 75 students, leaving no capacity for the creation of a new class to reduce the class size in those three English-only classrooms.

Accordingly, the analysis of a school's capacity to add a new class requires consideration of more factors than are captured in the Blue Book, such as shifts in enrollment and student academic needs. Therefore, as we have indicated to OSC over the course of the audit, educational leaders familiar with the specific considerations of the specific schools, including principals and Local Instructional Superintendents, must engage in a holistic evaluation of a school's capacity to create a new class. It is not a determination that can be made centrally through the application of a generic mathematical formula using data from the Blue Book or any other citywide database.

* Note 17
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#### Response to Recommendations 3-5

The OSC's **Recommendation 3** and **Recommendation 4** ask the Department to develop formal procedures to ensure that enrollments and building capacity factors are appropriately considered in making funding allocation determinations. At the direction of the Department's central leadership, local educational leaders have always engaged in such procedures when making allocation determinations under the Program. Local educational leaders *do* analyze the projected enrollments in the Look-Up Chart and *do* analyze building capacity factors, along with academic performance and program factors, when making allocation determinations. The Department will, however, examine ways in which Central and Regional managers can further support the decision-making processes of those local educational leaders. We have already reached out to our Division of Instructional and Information Technology to discuss the design and dissemination of additional reports of academic performance, enrollment, capacity and utilization factors to further arm local educational leaders with data that will aid, but not dictate, their holistic assessments of relative need for class-size reduction funding.

\* See State Comptroller's Notes, page 65

We agree with the OSC's **Recommendation 5** that the Department should not charge team teachers or teachers on extended leave to Program funds and will enhance training to the field as well as central monitoring to ensure that this will not reoccur.

### **Modification of School Attendance Zones**

Although the EGCS statute clearly does not require it, the OSC suggests that the Department should assess opportunities to redraw school attendance zone boundaries in order to “even out utilization rates among the schools.” The OSC acknowledges, however, that the consideration of changes to school attendance zone boundaries must take account of many factors beyond building utilization rate or average early grade class size, and that the Department must consult with local communities and obtain the approval of the local Community Education Council before any such modification of school attendance zones can be effected.

The OSC's own examples of “opportunities” to normalize early grade class size through modification of school attendance zones show why it is not possible to based the determinations merely on reported building utilization rates. The OSC suggests rezoning to reduce overcrowding at PS 83 in Manhattan, which has a 133 percent utilization rate per the Blue Book and an average class size in Grades K-3 of 24.6 students, by shifting students to PS 102, with a 66 percent utilization rate and an average early grade class size of 15.8 students. However, PS 83 is a much higher performing school than PS 102, as evidenced by the schools' respective 2004 English Language Arts (ELA) rankings per the Department's Division of Assessment and Accountability (DAA). In the DAA's 2004 ranking of 616 elementary schools, PS 83 ranked 158<sup>th</sup> in ELA performance, whereas the far less crowded PS 102 ranked 527<sup>th</sup>.

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Similarly, the OSC suggests rezoning to reduce overcrowding at PS 97 in Brooklyn, with a 124 percent utilization rate and an average early grade class size of 24.4 students, by shifting students to PS 128, with a 78 percent utilization rate and an average early grade class size of 22.6 students. However, PS 97 ranked 113<sup>th</sup> out of 616 elementary schools in ELA performance, whereas PS 128 ranked 224<sup>th</sup>. It would not further the educational goals of the statute to shift students from higher to lower performing schools only to equalize class size.

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### **Response to Recommendation 6**

The Department does regularly review school attendance zone boundary lines, in consultation with parents, community leaders and local Community Education Councils, and comparative class sizes and building capacities are among the many factors considered. However, these decisions to normalize building utilization rates or class size through rezoning can only be made after a thorough assessment of academic need and educational policy. We do not believe any change to our approach to attendance zone boundary lines is necessary at this time.

\* See State Comptroller's Notes, pages 65 - 66

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## ***State Comptroller's Notes***

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1. The Program statute defines a computation methodology to determine the number of new classes to be added above a base year total. As our audit report points out, using this methodology, the DoE should have added 1,586 new classes above a base year total of 13,267 for a total of 14,853 classes. However, for the 2004-05 year, the DoE provided 13,287 early grade classes; 1,566 fewer than were required under the Program statute. Therefore, DoE did not meet the Program's goal of adding enough new early grade classes to maintain an average of 20 students or less per class. As a result, 7,784 early grade classes (about 59 percent) had more than 20 students. Of these, 1,711 classes had more than 25 students per class. DoE officials emphasized that an enrollment decline of about 50,000 students in the early grades since Program inception, coupled with flat Program funding and increasing costs makes it impractical to provide for and to compute new early grade classes in the manner used by the audit. Instead, DoE officials have determined that the number of classes provided beyond that needed to maintain a 25 student per class average overall for the early grades represents the new classes under the Program. Using this methodology, DoE officials compute that they have added 1,840 new classes. We conclude that this computation is not provided for in the Program statute, while DoE officials indicate that this methodology is consistent with the statute. The DoE did not measure the number of "new" early grade classes by comparing the total number of classes to the base year amount. This is required by the Law.
2. The Program statute includes no provisions for calculating the number of new early grade classes created using the assumptions and methodology employed by the DoE. Specifically, the statute does not define the number of new classes created by determining the number of classes provided beyond that needed to maintain 25 students per class.
3. The provision of the Education Law in question, including its recent amendment, prescribes (and has reduced) the circumstances under which SED can decrease a Program apportionment to a school district for non-compliance with Program requirements. However, it would be incorrect to assert that the DoE actually added a sufficient number of early grade classes, and thereby complied fully with the Law, solely because SED cannot reduce the DoE's apportionment pursuant to the Law's amended provision.
4. The methodologies we used in the report are derived from and are consistent with the provisions of the Program statute. Moreover, the clear aim of the Program was to reduce average early grade class sizes to 20 students or fewer. Our report notes that DoE has made significant progress towards this goal and we commend DoE for this progress. However, about 59 percent of the total 13,287 early grade classes had more than 20 students. To reach the Program goal of 20 or fewer, DoE must add 887 more classes.
5. We agree that the clear aim of the Program's statute is to reduce average class sizes. However, the Program statute clearly and extensively prescribes class size reduction through the creation of new early grade classes. Further, we acknowledge in the report that early grade enrollments have declined significantly in recent years, which should



help to reduce average class sizes. Nonetheless, the DoE would have needed more than 800 additional early grade classes to achieve an overall average class size of 20 or less students system-wide. Moreover, the statute has no provision for the allocation of Program funding to reduce average class size through declines in enrollments (versus the addition of new classes beyond the base year levels).

6. The DoE's conscious decision to reduce its early grade tax levy funding allocations concomitantly is separate from (and does not change) the Program's statutorily prescribed requirements for adding new classes above the base year levels. Moreover, we maintain that such reductions on a system-wide basis are inconsistent with the Program's maintenance of effort provisions.
7. The City of New York makes overall funding allocations to the DoE, and then DoE officials (both centrally and locally) have the discretion to determine how funds will be allocated among the regions and schools. Any reduction of local tax levy funding at a specific grade level within a specific school results principally from the conscious actions of DoE officials, not the City of New York. Moreover, our audit makes no "unstated premise" regarding the City of New York's funding of the DoE.
8. The DoE's comment is misleading. We acknowledge that an individual school's enrollments can shift over time, and that new schools open while others close. Consequently, the DoE has to adjust the staffing patterns of individual schools impacted by enrollment changes. However, maintenance of effort should be sustained aggregately, on a system-wide basis. We analyzed the DoE's maintenance of effort on a system-wide basis, using the total number of classes provided. In contrast, our analysis of individual schools, through the use of the "turnaround document" (or Look-Up Chart), sought to indicate whether or not Program classes were provided at the appropriate grade levels. This analysis was separate from the total number of early grade classes provided and the related issue of maintenance of effort.
9. The Program statute is silent on the issue of declining enrollment. However, the statute is clear on the number of new early grade classes that should be created, and our audit methodology is fully consistent with the statute. Moreover, with or without the Program (or our audit and its attendant methodology), any funding for early grade classes is inherently not available to the higher grades, and vice-versa. Also, our audit methodology does not preclude New York City and the DoE from allocating sufficient funding to the higher grades or any other DoE program.
10. The DoE's methodology for determining the numbers of classes is different from the methodology we used. Specifically, we included bridge classes and collaborative team teaching classes (also referred to as inclusion classes) while the DoE excluded them. Therefore, the enrollment amounts and numbers of classes we cite in our report are greater than those calculated by the DoE.
11. The DoE's comment is misleading. If the DoE asserts that it created a certain number of classes, it must be able to identify where those classes were created, as required by the Program statute. DoE officials advised us that Program classes could be identified by

applying the standards of the “Look-Up Chart” (as detailed in our report) to the actual early grade configuration of a particular school. Moreover, the Look-Up Chart’s methodology is based on the number of classes beyond that needed to maintain 25 pupils per class and reflects the DoE’s overall rationale for the number of Program classes created. We have amended our report to reflect this.

12. We acknowledge in our report that there may be legitimate reasons for local officials to deviate from the Look-up Chart. However, as our report indicates, the DoE did not formally analyze deviations to determine if they were justified. Moreover, as our report also indicates, relative differences in schools’ academic performance provided little explanation for the deviations we identified system-wide.
13. Our report does not suggest that central managers use quantitative analysis alone to overrule the holistic judgments of local educational leaders. Furthermore, we agree that holistic approaches should be used to facilitate resource allocation decisions, as our report notes. Moreover, we maintain that quantitative analysis be used to help strengthen the overall decision-making process for Program resource (teacher) allocations. We saw no wide spread evidence that quantitative analysis techniques were employed by DoE officials in allocating or analyzing the use of Program funds.
14. Although the classroom registers in question are as of October 31, 2005 local officials should be aware of any significant shortfalls in enrollment shortly after the beginning of the school year (early September). Consequently, we believe that local officials often have sufficient opportunity to adjust teacher allocations (and corresponding classroom assignments) before it becomes impractical to do so because of concerns for students’ educational continuity.
15. We have made corrections, as appropriate, to our report.
16. The DoE’s comment is misleading. We acknowledge that the **net** difference at the 54 schools we visited was 5 teachers. However, as indicated in the report, the net amount (5 teachers) is derived from the 60 Program classes above the amounts indicated by the Look-Up Chart for certain schools and grade levels versus 55 classes fewer than indicated by the Chart for other locations and grade levels. Thus, the disparities in either direction were significant. Moreover, it is inappropriate to conclude that the disparities offset each other when addressing the allocation (assignment) of Program-funded teachers.
17. We agree that local officials should use a holistic approach to evaluate a school’s capacity to create new classes. However, we maintain that formal analysis of capacity data, including data from the Blue Book, would improve the overall process for making Program allocations.
18. We acknowledge that students should not be transferred from one school to another only to equalize class sizes. However, as part of a holistic approach to allocating Program resources, we maintain that DoE officials should formally analyze schools’ class size and capacity data to identify potential opportunities to normalize class sizes when consistent

with the Program's objectives. The information developed by the DoE in this instance was in response to our audit and was not part of a pre-existing standard process.

19. The DoE's school "rankings" can be somewhat misleading, and they can change significantly from year to year. In fact, for 2005, there was very little difference in the English Language Arts (ELA) test scores for P.S. 97 and P.S. 128, irrespective of their relative rankings. Specifically, 69.7 percent of P.S. 97's students scored at levels 3 and 4 (the levels of sufficient proficiency) of the ELA tests, and 70.7 percent of P.S.128's students scored at levels 3 and 4, a difference of only one percent. Likewise, the percentages of students scoring at levels 1 and 2 (the levels below sufficient proficiency) were similar for these two schools.