



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

TO: The Honorable the Members of the Board of Regents
Subcommittee on Audits/Budget and Finance

FROM: Valerie Grey

SUBJECT: State Education Department September 2010 Fiscal Report

DATE: October 6, 2010

AUTHORIZATION(S):

Executive Summary

Issue for Discussion

The September Fiscal Report is presented for your review, discussion and acceptance. Although the 2010-2011 Enacted Budget provides the Department with a General Fund operating appropriation of \$42.6 million, \$947,000 of the personal service appropriation will not be allocated to reflect the Department's share of additional savings. The Department is achieving these saving through participation in the Early Retirement Incentive (ERI) Program.

The Department has also been assigned \$4.0 million of an additional \$250 million statewide all funds operating reduction included in the final State budget. It also has recently been assigned a new workforce reduction target. Excess General Fund ERI Program savings of \$0.2 million and special revenue ERI Program savings of \$1.4 million will be used to help achieve the \$4.0 million of required savings. The remainder of the \$4.0 million will be achieved through a combination of workforce and operation reductions.

Also attached is a plan adjustment report which reflects that the current year Assessment deficit in EMSC's General Fund account has been resolved through the elimination of several exams, such as the grades 5 and 8 social studies exams, and the use of one-time Education Assessment Account revenue of \$2.5 million to fund some exams. The plan adjustment report also reflects the allocation of EMSC and OHE federal grant awards for the federal fiscal year beginning July 1, 2010 and the realignment of federal IDEA and Workforce Education grant awards between Adult Education and Workforce Development (AEWD) and EMSC.

Although not reflected on the plan adjustment report, the September Fiscal Report reflects the Department's internal reorganization which transfers programs among the VESID (now called AEWD), EMCS and OHE Offices.

Reason(s) for Consideration

Update on Department State Operations expenditure and revenue projections.

Proposed Handling

Review, discussion and acceptance.

Procedural History

The September report is the sixth report of the new State fiscal year and reflects actual expenditures through September 30, 2010 and projected expenditures through the lapse period ending June 30, 2011.

Background Information

- All Funds – Extensive spending controls continue.
- General Fund – Our General Fund accounts are in structural balance with the exception of the Tenured Teacher Hearing account, which is projected to have a cumulative deficit of \$5.3 million by the end of the current State fiscal year. The 2010-2011 appropriation for this program is \$3.8 million and we currently have \$4.2 million of bills on hand, therefore, the appropriation will not even cover the current bills on hand.
- Special Revenue – Our revenue accounts are in structural balance, allowing for normal reimbursement delays and the planned use of prior year balances, with the following exceptions:
 - The CE account is not in structural balance due to insufficient revenues to cover its expenses and the expenses of the other agencies and programs it supports including the Summer School for the Arts program.
 - The Summer School for the Arts account is not in structural balance because tuition revenue and the transfer of \$500,000 from the CE account are not sufficient to cover the entire cost of the program. The General Fund appropriation will pay the remaining cost of \$195,000.
 - After expending prior year funds, the Archives Partnership Trust (APT) will use sufficient revenue from the APT endowment, pursuant to Chapter 399 of the Laws of 1998, to maintain structural balance.
- Federal Accounts – This report reflects current year activity for two year grant awards.

Our Budget Coordination staff and I will continue to closely monitor each of these accounts and work with program office fiscal staff and the Deputies to ensure structural

balance. I am also recommending to the Board of Regents that they request funding or programmatic changes as part of their 2011-2012 Budget Priorities for the accounts that are not in structural balance.

Recommendation

I recommend that the Board of Regents accept the September 2010 State Education Department Fiscal Report as presented.

Timetable for Implementation

N/A

September Plan Adjustment Report

	<i>August Report (1)</i>	<i>September Report (2)</i>	<i>Variance (3) = (2-1)</i>	<i>Explanation</i>
<u>Office of Higher Education</u>				
Federal Funds-- July-June Programs---Cumulative Projected Revenue and Total Expenditures Actual and Projected				
Subtotal	\$1,773,564	\$1,903,762	\$130,198	Reflects the receipt and allocation of the 2010-2011 Federal grant awards.
<u>Office of EMSC</u>				
General Fund---Total Expenditures Actual and Projected				
Subtotal	\$27,553,000	\$20,553,000	(\$7,000,000)	Reflects that the current year Assessment deficit has been resolved by eliminating several exams and using one-time Education Assessment Account revenue of \$2.5 million to fund some exams.
Federal Funds-- July-June Programs---Cumulative Projected Revenue and Total Expenditures Actual and Projected				
Subtotal	\$56,754,562	\$100,954,861	\$44,200,299	Reflects the receipt and allocation of the 2010-2011 Federal grant awards and the realignment of IDEA and Workforce Education Federal awards between AFWD and EMSC.
<u>Office of Adult Education and Workforce Development</u>				
Federal Funds-- July-June Programs---Cumulative Projected Revenue and Total Expenditures Actual and Projected				
Subtotal	\$29,680,788	\$4,482,828	(\$25,197,960)	Reflects the receipt and allocation of the 2010-2011 Federal grant awards and the realignment of IDEA and Workforce Education Federal awards between AEWD and EMSC.

**OPERATIONS AND MANAGEMENT SERVICES
FINANCIAL STATUS AS OF SEPTEMBER 30, 2010**

For State Fiscal Year 2010-11

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Available Funds on 4/1/10	2010-2011 Projected Revenue	Cumulative Projected Revenue 2010-2011	Actual Expenditures Through 9/30/10	Projected Expenditures to Program Period End	Total Expenditures Actual and Projected	2010-2011 Projected Revenue vs. Expenditures	Projected Structural Balance at 3/31/11	Cumulative Projected Balance at Program Period End	One Time Adjustment
GENERAL FUND										
Personal Service	0	7,281,000	7,281,000	3,245,168	4,035,832	7,281,000	0	0	0	0
Nonpersonal Service	0	2,721,000	2,721,000	468,700	2,252,300	2,721,000	0	0	0	0
Subtotal	0	10,002,000	10,002,000	3,713,868	6,288,132	10,002,000	0	0	0	0
SPECIAL REVENUE										
Cost Recovery Account	950,839	20,000,000	20,950,839	9,731,736	10,135,915	19,867,651	132,349	532,349	1,083,188	(400,000)
Automation and Printing	5,418,854	19,500,000	24,918,854	5,592,321	13,293,525	18,885,846	614,154	614,154	6,033,008	0
Subtotal	6,369,693	39,500,000	45,869,693	15,324,057	23,429,440	38,753,497	746,503	1,146,503	7,116,196	(400,000)
State Operations Total:	6,369,693	49,502,000	55,871,693	19,037,925	29,717,572	48,755,497	746,503	1,146,503	7,116,196	0
OTHER RETIREMENT SYSTEMS										
	0	1,631,000	1,631,000	585,219	1,045,781	1,631,000	0	0	0	0
FEDERAL FUNDS										
<i>July-June Programs</i>										
Personal Service	N/A	N/A	4,598,231	479,660	4,118,571	4,598,231	N/A	N/A	N/A	0
Nonpersonal Service	N/A	N/A	332,500	1,653	330,847	332,500	N/A	N/A	N/A	0
Subtotal	N/A	N/A	4,930,731	481,313	4,449,418	4,930,731	N/A	N/A	N/A	0

OFFICE OF EMSC
FINANCIAL STATUS AS OF SEPTEMBER 30, 2010

For State Fiscal Year 2010-11

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Available Funds on 4/1/10	2010-2011 Projected Revenue	Cumulative Projected Revenue 2010-2011	Actual Expenditures Through 9/30/10	Projected Expenditures to Program Period End	Total Expenditures Actual and Projected	2010-2011 Projected Revenue vs. Expenditures	Projected Structural Balance at 3/31/11	Cumulative Projected Balance at Program Period End	One Time Adjustment
GENERAL FUND										
Personal Service	0	13,547,635	13,547,635	6,912,679	6,634,956	13,547,635	0	0	0	0
Nonpersonal Service	0	7,005,365	7,005,365	785,646	6,219,719	7,005,365	0	0	0	0
Subtotal	0	20,553,000	20,553,000	7,698,325	12,854,675	20,553,000	0	0	0	0
FEDERAL FUNDS										
<i>October-September Programs</i>										
Personal Service	N/A	N/A	2,007,171	1,923,416	83,755	2,007,171	N/A	N/A	N/A	0
Nonpersonal Service	N/A	N/A	3,737,225	1,825,190	1,912,035	3,737,225	N/A	N/A	N/A	0
Mandated Costs	N/A	N/A	1,745,145	479,190	1,265,955	1,745,145	N/A	N/A	N/A	0
Subtotal	N/A	N/A	7,489,541	4,227,797	3,261,744	7,489,541	N/A	N/A	N/A	0
<i>July-June Programs</i>										
Personal Service	N/A	N/A	24,374,696	1,778,212	22,596,484	24,374,696	N/A	N/A	N/A	0
Nonpersonal Service	N/A	N/A	54,991,357	0	54,991,357	54,991,357	N/A	N/A	N/A	0
Mandated Costs	N/A	N/A	21,588,808	0	21,588,808	21,588,808	N/A	N/A	N/A	0
Subtotal	N/A	N/A	100,954,861	1,778,212	99,176,649	100,954,861	N/A	N/A	N/A	0
SPECIAL REVENUE										
Summer School for the Arts	355,422	1,067,535 (a)	1,422,957	418,611	1,199,811	1,618,422	(550,887) (b)	(411,226) (c)	(195,465) (d)	(139,661)
Education Assessment	0	3,500,000 (e)	3,500,000	0	3,500,000	3,500,000	0	0	0	0
State School for the Blind at Batavia	0 (f)	10,020,000	10,020,000	3,032,602	6,987,398	10,020,000	0	0	0	0
State School for the Deaf at Rome	0 (f)	9,641,000	9,641,000	2,557,608	7,083,392	9,641,000	0	0	0	0
						27,553,000				

(a) Includes a \$500,000 transfer from the Cultural Education Account.

(b) This imbalance is the result of normal cash flow and the use of prior year funds to meet current year one-time obligations.

(c) The structural imbalance is the result of the use of carryover funds to meet current year operating costs for the program.

(d) General Funds will be redirected to cover this shortfall.

(e) Funds transferred from the Office of Professions Account.

(f) This is a reimbursable account. Carry-in balances are not reported for reimbursable accounts since these balances will ultimately be zero (allowing for processing time).

HIGHER EDUCATION
FINANCIAL STATUS AS OF SEPTEMBER 30, 2010

For State Fiscal Year 2010-11

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Available Funds on 4/1/10	2010-2011 Projected Revenue	Cumulative Projected Revenue 2010-2011	Actual Expenditures Through 9/30/10	Projected Expenditures to Program Period End	Total Expenditures Actual and Projected	2010-2011 Projected Revenue vs. Expenditures	Projected Structural Balance at 3/31/11	Cumulative Projected Balance at Program Period End
GENERAL FUND									
Personal Service	0	3,205,100	3,205,100	1,652,173	1,552,927	3,205,100	0	0	0
Nonpersonal Service	0	517,800	517,800	29,687	488,113	517,800	0	0	0
Tenured Teacher Hearings NPS	0	3,653,100	3,653,100	1,917	8,948,737	8,950,654	(5,297,554)	(5,297,554)	(5,297,554)
Subtotal	0	7,376,000	7,376,000	1,683,777	10,989,777	12,673,554	(5,297,554)	(5,297,554)	(5,297,554)
FEDERAL FUNDS									
<i>July-June Programs</i>									
Personal Service	N/A	N/A	1,147,304	59,754	1,087,550	1,147,304	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	358,414	0	358,414	358,414	N/A	N/A	N/A
Mandated Costs	N/A	N/A	398,044	0	398,044	398,044	N/A	N/A	N/A
Subtotal	N/A	N/A	1,903,762	59,754	1,844,008	1,903,762	N/A	N/A	N/A
SPECIAL REVENUE									
Office of Teacher Certification	2,845,903	6,500,000	9,345,903	2,243,240	4,012,075	6,255,315	244,685 (b)	244,685	3,090,588
Regents Accreditation of Teacher Education	70,017	85,735	155,752	3,574	47,816	51,390	34,345	34,345	104,362
			130,198						

(a) This structural imbalance is the result of continued underfunding for the Tenured Teacher Hearing program which is beyond the Department's control.

(b) This imbalance is the result of normal cash flow and the use of prior year funds to meet current year one-time obligations.

**CULTURAL EDUCATION
FINANCIAL STATUS AS OF SEPTEMBER 30, 2010**

For State Fiscal Year 2010-11

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Available Funds on 4/1/10	2010-2011 Projected Revenue	Cumulative Projected Revenue 2010-2011	Actual Expenditures Through 9/30/10	Projected Expenditures to Program Period End	Total Expenditures Actual and Projected	2010-2011 Projected Revenue vs. Expenditures	Projected Structural Balance at 3/31/11	Cumulative Projected Balance at Program Period End	One Time Adjustment
GENERAL FUND										
Personal Service	0	442,000	442,000	266,513	175,487	442,000	0	0	0	0
Nonpersonal Service	0	160,000	160,000	826	159,174	160,000	0	0	0	0
Subtotal	0	602,000	602,000	267,339	334,661	602,000	0	0	0	0
FEDERAL FUNDS										
<i>October-September Programs</i>										
Personal Service	N/A	N/A	3,337,338	2,089,235	1,248,103	3,337,338	N/A	N/A	N/A	0
Nonpersonal Service	N/A	N/A	1,141,240	208,326	932,914	1,141,240	N/A	N/A	N/A	0
Mandated Costs	N/A	N/A	2,154,970	856,235	1,298,735	2,154,970	N/A	N/A	N/A	0
Subtotal	N/A	N/A	6,633,548	3,153,796	3,479,752	6,633,548	N/A	N/A	N/A	0
SPECIAL REVENUE										
<i>Cultural Education Account</i>										
Office of Cultural Education-Operations	(8,117,218)	32,728,782	24,611,564	13,582,996	19,145,786	32,728,782	0	0	(8,117,218)	0
Transfers and Other Agency Support (a)	0	0	0	2,305,280	784,720	3,090,000	(3,090,000)	(3,090,000) (b)	(3,090,000)	0
Total - Cultural Education Account	(8,117,218)	32,728,782	24,611,564	15,888,276	19,930,506	35,818,782	(3,090,000)	(3,090,000)	(11,207,218)	0
<i>Local Government Records</i>										
Management Improvement Fund	0 (c)	4,152,296	4,152,296	1,626,337	2,525,959	4,152,296	0	0	0	0
Records Management Program	936,396	1,716,759	2,653,155	535,383	967,301	1,502,684	214,075	214,075	1,150,471	0
Cultural Resource Survey Account	0 (d)	10,115,654	10,115,654	2,661,385	7,454,269	10,115,654	0	0	0	0
Education Museum Account	100,173	3,322,000	3,422,173	547,960	2,774,040	3,322,000	0	0	100,173	0
Education Archives Account	217,710	15,000	232,710	35,166	36,207	71,373	(56,373) (e)	15,000	161,337	(71,373)
Education Library Account	139,782	65,000	204,782	26,250	38,750	65,000	0	0	139,782	0
Grants and Bequests	763,184	496,609	1,259,793	0	505,974	505,974	(9,365)	496,609	753,819	(505,974)
Archives Partnership Trust	143,893 (f)	690,000 (g)	833,893	210,039	393,098	603,137	86,863	86,863	230,756	0

(a) Reflects \$500,000 for the Summer School for the Arts Program and \$2,590,000 for the Empire State Performing Arts Center program and the New York State Theater Institute program.

(b) This structural imbalance is the result of decreased revenue in the Cultural Education Account due to the economic downturn.

(c) The Local Government Records Management account carry-in is not reported because the revenue in this account supports both the administrative costs reported here and a larger Aid to Localities grant program, not reflected in this report.

(d) This is a reimbursable account. Carry-in balances are not reported for reimbursable accounts since these balances will ultimately be zero (allowing for processing time).

(e) This imbalance is the result of the use of prior year funds to meet current year one-time obligations and decreased revenue in the Cultural Education Account due to the economic downturn.

(f) Excludes endowment funds.

(g) the Archives Partnership Trust may use sufficient revenue from the APT endowment if there is insufficient current year revenue to support planned programs, pursuant to Chapter 399 of the laws of 1998 to maintain structural balance.

PROFESSIONS
FINANCIAL STATUS AS OF SEPTEMBER 30, 2010
For State Fiscal Year 2010-11

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Available Funds on 4/1/10	2010-2011 Projected Revenue	Cumulative Projected Revenue 2010-2011	Actual Expenditures Through 9/30/10	Projected Expenditures to Program Period End	Total Expenditures Actual and Projected	2010-2011 Projected Revenue vs. Expenditures	Projected Structural Balance at 3/31/11	Cumulative Projected Balance at Program Period End	One Time Adjustment
SPECIAL REVENUE										
Office of the Professions (a)	4,346,926	45,452,322 (b)	49,799,248	13,703,817	31,382,931	45,086,748	365,574	2,805,574	4,712,500	(2,440,000)

(a) Includes the foreign and out-of-state medical school evaluation program.

(b) Reflects transfer of \$3.5 million to the Education Assessment Account.

**ADULT EDUCATION AND WORKFORCE DEVELOPMENT
FINANCIAL STATUS AS OF SEPTEMBER 30, 2010**

For State Fiscal Year 2010-11

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Available Funds on 4/1/10	2010-2011 Projected Revenue	Cumulative Projected Revenue 2010-2011	Actual Expenditures Through 9/30/10	Projected Expenditures to Program Period End	Total Expenditures Actual and Projected	2010-2011 Projected Revenue vs. Expenditures	Projected Structural Balance at 3/31/11	Cumulative Projected Balance at Program Period End	One Time Adjustment
GENERAL FUND										
Personal Service	0	759,365	759,365	432,707	326,658	759,365	0	0	0	0
Nonpersonal Service	0	1,640,635	1,640,635	325,221	1,315,414	1,640,635	0	0	0	0
Subtotal	0	2,400,000	2,400,000	757,928	1,642,072	2,400,000	0	0	0	0
FEDERAL FUNDS										
<i>October-September Programs (b)</i>										
Personal Service	N/A	N/A	45,000,000	42,790,054	2,209,946	45,000,000	N/A	N/A	N/A	0
Nonpersonal Service	N/A	N/A	14,000,000	6,020,484	7,979,516	14,000,000	N/A	N/A	N/A	0
Mandated Costs	N/A	N/A	37,100,000	15,360,345	21,739,655	37,100,000	N/A	N/A	N/A	0
Subtotal	N/A	N/A	96,100,000	64,170,883	31,929,117	96,100,000	N/A	N/A	N/A	0
<i>July-June Programs</i>										
Personal Service	N/A	N/A	1,233,193	120,704	1,112,489	1,233,193	N/A	N/A	N/A	0
Nonpersonal Service	N/A	N/A	2,493,812	0	2,493,812	2,493,812	N/A	N/A	N/A	0
Mandated Costs	N/A	N/A	755,823	0	755,823	755,823	N/A	N/A	N/A	0
Subtotal	N/A	N/A	4,482,828	120,704	4,362,124	4,482,828	N/A	N/A	N/A	0
SPECIAL REVENUE										
Workers' Compensation	143,677	100,000	243,677	4,535	65,465	70,000	30,000	30,000	173,677	0
Social Security	0	340,000	340,000	203,090	136,911	340,000	0	0	0	0
Proprietary - Supervision	2,209,683	3,000,000	5,209,683	1,006,593	2,917,604	3,924,197	(924,197) (c)	75,803	1,285,486	(1,000,000)
Proprietary - Tuition Reimbursement	2,007,361	375,000	2,382,361	16,560	233,440	250,000	125,000	125,000	2,132,361	0
High School Equivalency (GED)	839,553	225,000	1,064,553	112,503	542,497	655,000	(430,000) (d)	(430,000) (e)	409,553	0

(a) This is a reimbursable account. Carry-in balances are not reported for reimbursable accounts since these balances will ultimately be zero (allowing for processing time).

(b) The Vocational Rehabilitation Program has received an additional \$22 million in reallocation funds that will assist the program in maintaining operations and filling critical vacancies.

(c) This imbalance is the result of normal cash flow and the use of prior year funds to meet current year one-time obligations.

(d) This imbalance is the result of normal cash flow and the use of prior year funds to meet current year one-time obligations.

(e) The structural imbalance is the result of the use of carryover funds to meet current year operating costs for the program.

**STATE EDUCATION DEPARTMENT GRAND TOTALS
FINANCIAL STATUS AS OF SEPTEMBER 30, 2010**

For State Fiscal Year 2010-11

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
	Available Funds on 4/1/10	2010-2011 Projected Revenue	Cumulative Projected Revenue 2010-2011	Actual Expenditures Through 9/30/10	Projected Expenditures to Program Period End	Total Expenditures Actual and Projected	2010-2011 Projected Revenue vs. Expenditures	Projected Structural Balance at 3/31/11	Cumulative Projected Balance at Program Period End		
GENERAL FUND											
Personal Service	0	25,235,100 (a)	25,235,100	12,509,240	12,725,860	25,235,100	0	0	0		
Nonpersonal Service	0	15,697,900	15,697,900	1,611,997	19,383,457	20,995,454	(5,297,554) (b)	(5,297,554)	(5,297,554)		
Other Retirement Systems	0	1,631,000	1,631,000	585,219	1,045,781	1,631,000	0	0	0		
Subtotal	0	42,564,000	42,564,000	14,706,456	33,155,098	47,861,554	(5,297,554) (b)	(5,297,554)	(5,297,554)		
SPECIAL REVENUE											
All Accounts	Subtotal	13,372,155	173,108,692	186,611,045	60,157,596	116,164,883	176,322,469	(3,213,777) (c)	1,343,231	10,158,378	(4,557,008)
FEDERAL FUNDS											
<i>October-September Programs</i>											
Personal Service	N/A	N/A	50,344,509	46,802,705	3,541,804	50,344,509	N/A	N/A	N/A	0	
Nonpersonal Service	N/A	N/A	18,878,465	8,054,001	10,824,464	18,878,465	N/A	N/A	N/A	0	
Mandated Costs	N/A	N/A	41,000,115	16,695,770	24,304,345	41,000,115	N/A	N/A	N/A	0	
Subtotal	N/A	N/A	110,223,089	71,552,476	38,670,613	110,223,089	N/A	N/A	N/A	0	
<i>July-June Programs</i>											
Personal Service	N/A	N/A	31,353,424	2,438,329	28,915,095	31,353,424	N/A	N/A	N/A	0	
Nonpersonal Service	N/A	N/A	58,176,083	1,653	58,174,430	58,176,083	N/A	N/A	N/A	0	
Mandated Costs	N/A	N/A	22,742,675	0	22,742,675	22,742,675	N/A	N/A	N/A	0	
Subtotal	N/A	N/A	112,272,182	2,439,982	109,832,200	112,272,182	N/A	N/A	N/A	0	
GRAND TOTALS	N/A	N/A	451,670,316	148,856,500	297,822,794	446,679,294	N/A	N/A	N/A		

(a) Includes \$947,000 of personal service that remains unallocated as the Department's share of the early retirement incentive.

(b) This structural imbalance is the result of continued underfunding for the Tenured Teacher Hearing program.

(c) This imbalance is the result of normal cash flow and the use of prior year funds to meet current year one-time obligations.