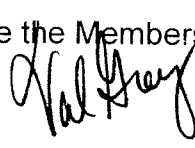



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

TO: The Honorable the Members of the Board of Regents
FROM: Valerie Grey 
SUBJECT: State Education Department December 2010 Fiscal Report
DATE: January 5, 2011
AUTHORIZATION(S): 

Executive Summary

Issues for Approval

The December Fiscal Report is presented for your review, discussion and acceptance. As stated in the October and November Fiscal Reports, the Department was assigned a General and Special Revenue Fund reduction of \$4.9 million, which it is achieving through workforce reductions, the withholding of the April 1, 2010 M/C general salary increase and fund sweeps.

Also attached is a plan adjustment report which reflects the receipt and allocation of the 2010-2011 Federal Child Nutrition award.

Reason(s) for Consideration

Update on Department State Operations expenditure and revenue projections.

Proposed Handling

Review, discussion and acceptance.

Procedural History

The December report reflects actual expenditures through December 31, 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, which is projected to have a cumulative deficit of \$5.3 million by the end of the current State fiscal year. Hearing officers, who hadn't been paid since July 2009, were paid \$1.6 million in December 2010. They are still owed \$4.7 million but because the current year appropriation is fully spent or encumbered, they can not be paid again until the 2011-12 appropriation becomes available.
- 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 Schools for the Arts program.
 - The Summer Schools 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 \$135,000.
 - 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 achieve structural balance. The 2011-12 Regents Budget Priorities include General Fund support to resolve the structural imbalances in the Tenured Teacher Hearing and Summer Schools for the Arts accounts, revenue enhancements to resolve the structural imbalance in the CE Account, and additional funding needed to correct the shortfalls expected in the GED and Assessment Accounts. In addition, Counsel's Office is preparing legislation to reduce the fiscal burden of Tenured Teacher Hearings by limiting the Department's liability to the annual appropriation.

Recommendation

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

Timetable for Implementation

N/A

**STATE EDUCATION DEPARTMENT GRAND TOTALS
FINANCIAL STATUS AS OF DECEMBER 31, 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 12/31/10	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	23,451,100 (e)	23,451,100	17,838,224	5,612,876	23,451,100 (a)	0	0	0
Nonpersonal Service	0	15,697,900	15,697,900	4,513,017	16,482,437	20,995,454	(5,297,554) (b)	(5,297,554)	(5,297,554)
Other Retirement Systems	0	1,631,000	1,631,000	1,404,979	226,021	1,631,000	0	0	0
Subtotal	0	40,780,000	40,780,000	23,756,220	22,321,334	46,077,554 (b)	(5,297,554)	(5,297,554)	(5,297,554)
Subtotal	13,372,155	169,178,410	182,550,565	105,734,569	66,683,935	174,418,504 (a)	(5,240,094) (c)	(683,086)	8,132,061
SPECIAL REVENUE									
All Accounts									
FEDERAL FUNDS									
October-September Programs									
Personal Service	N/A	N/A	50,686,432	715,110	49,971,322	50,686,432	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	19,159,746	40,957	19,118,789	19,159,746	N/A	N/A	N/A
Mandated Costs	N/A	N/A	40,882,750	15,216	40,867,534	40,882,750	N/A	N/A	N/A
Subtotal	N/A	N/A	110,728,928	771,284	109,957,644	110,728,928	N/A	N/A	N/A
July-June Programs									
Personal Service	N/A	N/A	31,353,424	10,413,799	20,939,625	31,353,424	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	58,176,083	3,146,824	55,029,259	58,176,083	N/A	N/A	N/A
Mandated Costs	N/A	N/A	22,742,675	2,577,013	20,165,662	22,742,675	N/A	N/A	N/A
Subtotal	N/A	N/A	112,272,182	16,137,635	96,134,547	112,272,182	N/A	N/A	N/A
GRAND TOTALS									
	N/A	N/A	446,331,675	146,399,708	297,097,460	443,497,168	N/A	N/A	N/A

(a) Reflects reductions for the Early Retirement Incentive, Management/Confidential salary withholding, and workforce reduction.
(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.

ADULT CAREER AND CONTINUING EDUCATION SERVICES
FINANCIAL STATUS AS OF DECEMBER 31, 2010
For State Fiscal Year 2010-11

	(1) Available Funds on 4/1/10	(2) 2010-2011 Projected Revenue	(3) Cumulative Projected Revenue 2010-2011	(4) Actual Expenditures Through 12/31/10	(5) Projected Expenditures to Program Period End	(6) Total Expenditures Actual and Projected	(7) 2010-2011 Projected Revenue vs. Expenditures	(8) Projected Structural Balance at 3/31/11	(9) Cumulative Projected Balance at Program Period End
GENERAL FUND									
Personal Service	0	759,365	759,365	619,974	139,391	759,365	0	0	0
Nonpersonal Service	0	1,640,635	1,640,635	466,772	1,173,863	1,640,635	0	0	0
Subtotal	0	2,400,000	2,400,000	1,086,746	1,313,254	2,400,000	0	0	0
FEDERAL FUNDS									
<i>October-September Programs (b)</i>									
Personal Service	N/A	N/A	45,000,000	171,201	44,828,799	45,000,000	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	14,000,000	32,392	13,967,608	14,000,000	N/A	N/A	N/A
Mandated Costs	N/A	N/A	37,100,000	0	37,100,000	37,100,000	N/A	N/A	N/A
Subtotal	N/A	N/A	96,100,000	203,593	95,896,407	96,100,000	N/A	N/A	N/A
<i>July-June Programs</i>									
Personal Service	N/A	N/A	1,233,193	433,420	799,773	1,233,193	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	2,493,812	31,112	2,462,700	2,493,812	N/A	N/A	N/A
Mandated Costs	N/A	N/A	755,823	0	755,823	755,823	N/A	N/A	N/A
Subtotal	N/A	N/A	4,482,828	464,532	4,018,296	4,482,828	N/A	N/A	N/A
SPECIAL REVENUE									
Workers' Compensation	143,677	100,000 (i)	243,677	5,205	64,795	70,000	30,000	173,677	
Social Security	0 (a)	340,000	340,000	235,440	104,560	340,000	0	0	
Proprietary - Supervision	2,209,683	3,000,000 (j)	5,209,683	1,920,115	2,004,082	3,924,197	(924,197) (c)	75,803	1,285,486 (d)
Proprietary - Tuition Reimbursement	2,007,361	375,000 (k)	2,382,361	56,716	193,284	250,000	125,000	125,000	2,132,361 (e)
High School Equivalency (GED)	839,553	225,000 (l)	1,064,553	112,503	542,497	655,000	(430,000) (f)	(430,000) (g)	409,553 (h)

(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 allotment 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) Some funds are earmarked for future technology enhancements.

(e) Funds are earmarked to provide financial protection for students who attend licensed proprietary schools in the event of a school closing.

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

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

(h) The balance at the end of the program period and requested funding of \$700,000 will be used in 2011-12 to compensate for the loss of one-time 2010-11 Education Assessment Account funding of \$1.0 million.

(i) A sweep of \$18,000 is anticipated against this account in order to meet the \$4.9 million reduction. Additionally, a recurring sweep from the prior year is anticipated.

(j) A sweep of \$150,000 is anticipated against this account in order to meet the \$4.9 million reduction. Additionally, a recurring sweep from the prior year is anticipated.

(k) A recurring sweep from the prior year is anticipated.

(l) A recurring sweep from the prior year is anticipated.

PROFESSIONS
FINANCIAL STATUS AS OF DECEMBER 31, 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 12/31/10	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
4,346,926	45,452,322	49,799,248	26,243,844	18,842,904	45,086,748	365,574	2,805,574	4,712,500

SPECIAL REVENUE
Office of the Professions (a)

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

(b) Reflects transfer of \$3.5 million to the Education Assessment Account. A sweep of \$250,000 is anticipated against this account in order to meet the \$4.9 million reduction. Additionally, a recurring sweep from the prior year is anticipated.

HIGHER EDUCATION
FINANCIAL STATUS AS OF DECEMBER 31, 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 12/31/10	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
Personal Service	0	3,016,100 (a)	2,300,932	715,168	3,016,100 (a)	0	0	0
Nonpersonal Service	0	517,800	204,496	313,304	517,800	0	0	0
Tenured Teacher Hearings NPS	0	3,653,100	1,867,511	7,083,143	8,950,654	(5,297,554)	(5,297,554) (b)	(5,297,554)
Subtotal	0	7,187,000	4,372,939	8,111,615	12,484,554	(5,297,554)	(5,297,554)	(5,297,554)
FEDERAL FUNDS								
<i>July-June Programs</i>								
Personal Service	N/A	1,147,304	396,835	750,469	1,147,304	N/A	N/A	N/A
Nonpersonal Service	N/A	358,414	477	357,937	358,414	N/A	N/A	N/A
Mandated Costs	N/A	398,044	72,900	325,144	398,044	N/A	N/A	N/A
Subtotal	N/A	1,903,762	470,212	1,433,550	1,903,762	N/A	N/A	N/A
SPECIAL REVENUE								
Office of Teacher Certification	2,845,903	6,500,000 (c)	4,336,636	1,918,679	6,255,315	244,685	244,685	3,090,588
Regents Accreditation of Teacher Education	70,017	85,735 (d)	3,791	47,599	51,390	34,345	34,345	104,362

(a) Reflects reductions for the Early Retirement Incentive, Management/Confidential salary withholding, and workforce reduction.
(b) This structural imbalance is the result of continued underfunding for the Tenured Teacher Hearing program which is beyond the Department's control.
(c) A sweep of \$648,000 is anticipated against this account in order to meet the \$4.9 million reduction. Additionally, a recurring sweep from the prior year is anticipated.
(d) A sweep of \$14,000 is anticipated against this account in order to meet the \$4.9 million reduction. Additionally, a recurring sweep from the prior year is anticipated.

OFFICE OF P-12
FINANCIAL STATUS AS OF DECEMBER 31, 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 12/31/10	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	12,545,635 (a)	12,545,635	9,323,358	3,222,277	12,545,635 (a)	0	0	0
Nonpersonal Service	0	7,005,365	7,005,365	1,261,933	5,743,432	7,005,365	0	0	0
Subtotal	0	19,551,000	19,551,000	10,585,291	8,965,709	19,551,000	0	0	0
FEDERAL FUNDS									
<i>October-September Programs</i>									
Personal Service	N/A	N/A	2,349,094	478,561	1,870,533	2,349,094	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	4,018,506	1,636	4,016,670	4,018,506	N/A	N/A	N/A
Mandated Costs	N/A	N/A	1,627,780	14,114	1,613,666	1,627,780	N/A	N/A	N/A
Subtotal	N/A	N/A	7,995,380	494,512	7,500,868	7,995,380	N/A	N/A	N/A
<i>July-June Programs</i>									
Personal Service	N/A	N/A	24,374,696	8,092,262	16,282,434	24,374,696	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	54,991,357	3,091,247	51,900,110	54,991,357	N/A	N/A	N/A
Mandated Costs	N/A	N/A	21,588,808	2,504,113	19,084,695	21,588,808	N/A	N/A	N/A
Subtotal	N/A	N/A	100,954,861	13,687,622	87,267,239	100,954,861	N/A	N/A	N/A
SPECIAL REVENUE									
Summer School for the Arts	355,422	1,116,035 (b)	1,471,457	546,095	1,060,362	1,606,457	(490,422) (c)	(350,761) (d)	(135,000) (e)
Education Assessment	0	3,500,000 (f)	3,500,000	190,076	3,309,924	3,500,000	0	0	0
State School for the Blind at Batavia	0 (g)	10,020,000	10,020,000	6,035,409	3,984,591	10,020,000	0	0	0
State School for the Deaf at Rome	0 (g)	9,641,000	9,641,000	5,297,054	4,343,946	9,641,000	0	0	0

(a) Reflects reductions for the Early Retirement Incentive, Management/Confidential salary withholding, and workforce reduction.
(b) Includes a \$500,000 transfer from the Cultural Education Account.
(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) The structural imbalance is the result of the use of carryover funds to meet current year operating costs for the program.
(e) General Funds will be redirected to cover this shortfall.
(f) Funds transferred from the Office of Professions Account.
(g) 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).

CULTURAL EDUCATION
FINANCIAL STATUS AS OF DECEMBER 31, 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 12/31/10	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	407,000 (a)	407,000	354,793	52,207	407,000 (a)	0	0	0
Nonpersonal Service	0	160,000	160,000	1,644	158,356	160,000	0	0	0
Subtotal	0	567,000	567,000	356,437	210,563	567,000	0	0	0
FEDERAL FUNDS									
October-September Programs									
Personal Service	N/A	N/A	3,337,338	65,348	3,271,990	3,337,338	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	1,141,240	6,729	1,134,511	1,141,240	N/A	N/A	N/A
Mandated Costs	N/A	N/A	2,154,970	1,102	2,153,868	2,154,970	N/A	N/A	N/A
Subtotal	N/A	N/A	6,633,548	73,179	6,560,369	6,633,548	N/A	N/A	N/A
SPECIAL REVENUE									
Cultural Education Account									
Office of Cultural Education-Operations	(8,117,218)	28,750,000	20,632,782	21,242,315	9,636,467	30,878,782 (a)	(2,128,782)	(2,128,782)	(10,246,000)
Transfers and Other Agency Support (b)	0	0	0	1,787,439	1,302,561	3,090,000	(3,090,000)	(3,090,000)	(3,090,000)
Total - Cultural Education Account	(8,117,218)	28,750,000	20,632,782	23,029,754	10,939,028	33,968,782	(5,218,782) (c)	(5,218,782)	(13,336,000)
Local Government Records									
Management Improvement Fund	0 (d)	4,152,296 (i)	4,152,296	2,860,405	1,249,891	4,110,296 (a)	42,000	42,000	42,000
Records Management Program	936,396	1,716,759	2,653,155	934,302	588,382	1,502,684	214,075	214,075	1,150,471
Cultural Resource Survey Account	0 (e)	10,115,654	10,115,654	4,056,124	6,059,530	10,115,654	0	0	0
Education Museum Account	100,173	3,322,000	3,422,173	728,958	2,593,042	3,322,000	0	0	100,173
Education Archives Account	217,710	15,000	232,710	41,586	29,787	71,373	(56,373) (f)	15,000	161,337
Education Library Account	139,782	65,000	204,782	60,065	4,935	65,000	0	0	139,782
Grants and Bequests	763,184	496,609	1,259,793	330,840	175,134	505,974	(9,365)	496,609	763,819
Archives Partnership Trust	143,893 (g)	690,000 (h)	833,893	416,860	186,277	603,137	86,863	86,863	230,756

(a) Reflects reductions for the Early Retirement Incentive, Management/Confidential salary withholding, and workforce reduction.
(b) 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.
(c) This structural imbalance is the result of decreased revenue in the Cultural Education Account due to the economic downturn.
(d) 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.
(e) 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).
(f) 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.
(g) Excludes endowment funds.
(h) 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.
(i) A sweep of \$191,000 is anticipated against this account in order to meet the \$4.9 million reduction. Additionally, a recurring sweep from the prior year is anticipated.

**OPERATIONS AND MANAGEMENT SERVICES
FINANCIAL STATUS AS OF DECEMBER 31, 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 12/31/10	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	6,723,000 (a)	6,723,000	5,239,167	1,483,833	6,723,000 (a)	0	0	0
Nonpersonal Service	0	2,721,000	2,721,000	710,661	2,010,339	2,721,000	0	0	0
Subtotal	0	9,444,000	9,444,000	5,949,828	3,494,172	9,444,000	0	0	0
SPECIAL REVENUE									
Cost Recovery Account	950,839	20,000,000	20,950,839	16,388,761	3,478,890	19,867,651	132,349	532,349	1,083,188
Automation and Printing	5,418,854	19,500,000	24,918,854	11,904,030	6,981,816	18,885,846	614,154	614,154	6,033,008 (b)
Subtotal	6,369,693	39,500,000	45,869,693	28,292,791	10,460,706	38,753,497	746,503	1,146,503	7,116,196
State Operations Total:	6,369,693	48,944,000	55,313,693	34,242,619	13,954,878	48,197,497	746,503	1,146,503	7,116,196
OTHER RETIREMENT SYSTEMS	0	1,631,000	1,631,000	1,404,979	226,021	1,631,000	0	0	0
FEDERAL FUNDS									
<i>July-June Programs</i>									
Personal Service	N/A	N/A	4,598,231	1,491,282	3,106,949	4,598,231	N/A	N/A	N/A
Nonpersonal Service	N/A	N/A	332,500	23,968	308,512	332,500	N/A	N/A	N/A
Subtotal	N/A	N/A	4,930,731	1,515,270	3,415,461	4,930,731	N/A	N/A	N/A

(a) Reflects reductions for the Early Retirement Incentive, Management/Confidential salary withholding, and workforce reduction.

(b) Funds earmarked for future critical IT projects.

December Plan Adjustment Report

<i>November Report (1)</i>	<i>December Report (2)</i>	<i>Adjustment (3) = (2-1)</i>	<i>Explanation</i>
------------------------------------	------------------------------------	-----------------------------------	--------------------

Office of P-12 Education

Federal Funds: October-September Programs---Projected Revenue and Total Expenditures Actual and Projected

Subtotal	\$7,489,541	\$7,995,380	\$505,839	Reflects the receipt and projected spending of Child Nutrition Program funds.
----------	-------------	-------------	-----------	---