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Testimony on the New York City Department of Education and the City's Fiscal Year 2024 Preliminary Budget

Submitted to the New York City Council Committee on Education

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Thank you for the opportunity to submit testimony on the City's Fiscal Year 2024 Preliminary Budget for the Department of Education (DOE). The Citizens Budget Commission (CBC) is a nonpartisan, nonprofit think tank and watchdog dedicated to constructive change in the services, finances, and policies of the New York City and New York State governments.

Education is a critical, core service of the City. Quality elementary and secondary education provides the opportunity to realize one's full potential, improves equity, and is important to New York's ability to attract and retain residents and businesses—its competitiveness.

Recommendations

The DOE's total budget should be considered within the context of enrollment declines and the City's precarious fiscal condition. Including unbudgeted collective bargaining costs, funding the fiscal cliff, and funding other underbudgeted programs, the likely City budget gap is \$12.0 billion in fiscal year 2026, or even larger if there is a recession. As the largest City agency, DOE spending must reflect fiscal realities. We urge the City to:

- Consider spending levels per student rather than aggregate level and recognize that declining enrollment could yield flat or reduced total spending;
- Identify priority programs funded by expiring federal COVID-19 pandemic aid and be transparent about whether the City plans to replace the one-time federal funds with recurring City and State resources or shrink or end the programs; and

- Evaluate DOE programs and initiatives to ensure that they are delivering maximum impact to the target populations and modify programs accordingly.

CBC Findings: Increasing Spending, Declining Enrollment, Fiscal Cliffs

The current fiscal year 2023 DOE budget totals \$36.8 billion, comprised of the \$31.2 billion agency operating budget and \$5.6 billion for pension contributions, debt service, and additional fringe benefits that are allocated centrally. Spending on DOE represents 35 percent of the City's total budget—more than one-third of the City's budget is spent to educate our children.

CBC's analysis finds that the total fiscal year 2024 DOE budget would decrease by \$401 million from fiscal year 2023 to \$36.5 billion, primarily due to a \$243 million decrease in federal COVID-19 pandemic aid. While the needs of children remain great, it is important to note that, given enrollment declines, spending per student (including centrally allocated costs) has grown from \$32,228 in fiscal year 2021 to more than \$37,000 in fiscal year 2022, an increase of \$4,908, and is slated to grow to nearly \$38,000 in fiscal year 2024, based on CBC's calculations.

After fiscal year 2024, the DOE budget increases annually to \$37.3 billion in fiscal year 2026, just shy of fiscal year 2022 spending but without the extraordinary federal COVID-19 pandemic aid. Furthermore, future spending is likely understated since the City consistently underbudgets at least \$500 million annually for Carter Cases that fund private school tuition for special education students, pupil transportation, and charter schools.

Between fiscal years 2016 and 2022, DOE spending grew 32.5 percent, an average of 4.8 percent per year. Thirty percent of this spending growth was due to the one-time federal pandemic aid. The DOE spent \$2.7 billion of the \$7.0 billion in federal COVID-19 pandemic aid in fiscal year 2022, 85 percent of which went to K-12 DOE schools. Federal COVID-19 pandemic aid is set to taper off rapidly and expire at the end of fiscal year 2025. The Office of the State Comptroller's (OSC's) [fiscal cliff tracker](#) shows that these expiring federal funds support ongoing programs, including expanding 3-K and pre-school special education, and mental health initiatives. The OSC estimates fiscal cliffs of \$321 million in fiscal year 2025 and \$556 million in fiscal year 2026. We urge the City to be clear whether the federally funded programs will end once the federal COVID-19 pandemic aid runs out, or whether funds from other programs and services will be redistributed to maintain these programs.

Understanding the availability of DOE resources to educate each child as well as the trajectory of the system itself requires a spotlight on the fact that long-term enrollment declines persist and were accelerated by the pandemic. Between school years 2015-16 and 2021-22, K-12 DOE schools lost more than 141,000 students, a decrease of 2.6 percent per year, with the largest declines (90,000 students) during school years 2020-21 and 2021-22. This trend is worrying and

should inform policy decisions to ensure New York is competitive beyond just considering the DOE's budget.

Simultaneous spending increases and enrollment declines led to rapid increases in per-student spending. In fiscal year 2022, including centrally allocated costs, the DOE spent more than \$37,000 per K-12 DOE student—up 15.2 percent from the prior fiscal year and 46.9 percent since fiscal year 2016, when the City spent \$25,276 per student. Assuming continued enrollment declines as projected by the School Construction Authority, K-12 per-student spending will continue to increase, reaching \$41,069 by fiscal year 2026. This estimate does not include the cost of likely collectively bargained raises; extending the tentative District Council 37 pattern to all DOE employees would increase per-student spending to nearly \$44,000 in fiscal year 2026.

Importantly, per-student spending varies greatly by school type. Spending per student in fiscal year 2022 was \$37,136 for students in K-12 DOE schools, \$24,744 for early childhood students, \$20,281 for pass-through funding to charter schools for State mandated tuition and rental insurance, and \$51,690 for Carter Cases (special education students in private schools whose tuition is paid for by the DOE).¹

We thank you again for the opportunity to submit testimony. We look forward to releasing more detailed analysis and recommendations on DOE spending, funding, and enrollment trends in our forthcoming brief.

¹ The original testimony reported per-student spending of \$259,884 for Carter Cases and other special education students in private schools whose tuition is paid for by the DOE. This is corrected to \$51,690 to reflect new data on Carter Cases.