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**Oversight: Fiscal 2023 DOE School Budgets**

**June 24, 2022**

**Introduction**

On June 24, 2022, the Committee on Education, chaired by Council Member Rita Joseph, and the Committee on Oversight and Investigations, chaired by Council Member Gale Brewer, will conduct an oversight hearing on “Fiscal 2023 DOE School Budgets.” Witnesses invited to testify include representatives of the New York City (NYC or the City) Department of Education (DOE or the Department), students, parents, educators, unions, advocates, and other interested stakeholders.

**New York City Public School Funding**

The City’s 1,800+ public schools each have individual school budgets that are funded by DOE through a combination of funding sources. For the 2022-2023 school year, DOE’s total budget is $31 billion. Of that:

* New York City provides 47 percent;
* New York State provides 40 percent;
* The Federal government provides 12 percent;
* And other sources contribute less than one percent.

Fair Student Funding (FSF) is the main source of this funding for most schools, providing approximately two-thirds of an individual school’s budget through a “weighted student funding formula.”[[1]](#footnote-1) The FSF formula is not designed to cover all costs associated with educating a student, but rather the base cost to cover essential academic programs.[[2]](#footnote-2)

Prior to adopting FSF, DOE allocated funds to schools using a more traditional funding methodology, distributing resources to schools in the form of staff and dollars that were designated for specific purposes.[[3]](#footnote-3) Most of the funding was allocated through a formula using grade level and average citywide teacher salaries. An IBO analysis of school spending found significant, though unintended, disparities in funding prior to the introduction of FSF.[[4]](#footnote-4) FSF was introduced in the 2007-2008 school year under the administration of then-Mayor Michael Bloomberg, as an attempt to remedy disparities among schools in per-pupil funding by distributing funds to schools in a way designed to meet student needs more equitably.[[5]](#footnote-5) However, prior to the 2007-2008 school year, the landmark lawsuit Campaign for Fiscal Equity (CFE) v. State of New York successfully challenged New York State for under-funding schools, resulting in a large increase in court-ordered state education funding, primarily distributed to school districts through “Foundation Aid.”[[6]](#footnote-6) Using this new state funding, FSF was partially phased in, with underfunded schools receiving a cap of $400,000 or 55% of the difference between the former funding amount and the amount under full implementation of FSF, whichever was less, and a “hold harmless” provision that protected other schools from any budget cuts that would result from FSF for two years.[[7]](#footnote-7)

*Fair Student Funding Overview[[8]](#footnote-8)*

Fair Student Funding (FSF) is unrestricted funds which provides school principals the flexibility to decide how much to spend on instruction, support services, administrative functions, and enrichment programs. Principals use their discretion to create a unique school program that meets the needs of each student body. In Fiscal Year 2019, the Council called on the Administration to allocate more funding directly to schools through FSF, specifically by raising the FSF floor to 100 percent. The Administration responded with a $125 million increase to FSF, which raised the FSF funding floor to over 90 percent in Fiscal 2019, up from 87 in Fiscal 2018, and increased the system-wide average from 91 percent to 93 percent. The funding went to 854 schools who were receiving less than 90 percent of their FSF entitlement. In the Adopted Fiscal 2020 Budget there were no changes to FSF and the FSF floor remained at 90 percent.

In Fiscal 2022, FSF was fully funded at 100 percent, as part of the State finally meeting its mandate for the Campaign for Fiscal Equity settlement. A $600 million investment from the State impacts over 1,100 schools and 700,000 students and is primarily funded with new Foundation Aid funding from New York State, which will phase in over the next three years. Federal stimulus funding is temporarily supporting the FSF increase in Fiscal 2022 until the Foundation Aid increase fully phases in. A fully-funded FSF formula enables schools to provide the complete range of essential educational programs, such as licensed social workers and guidance counselors, support for homeless students, substance abuse prevention and intervention counselors, integrated social supports, and enrichment programs in the arts and sciences.

**Fiscal 2023 Preliminary Budget**[[9]](#footnote-9)

 DOE’S Fiscal 2023 Preliminary Budget (Preliminary Plan) totaled $30.7 billion, or approximately 31 percent of the City’s total $98.5 billion budget for the upcoming fiscal year. Compared to previous Preliminary Plans, DOE’s new needs for Fiscal 2023 were modest, totaling just $415.6 million. The ambitious Program to Eliminate the Gap (PEG) initiatives for DOE seeks to align school budgets and teacher headcount with decreased enrollment, while also finding efficiencies within the agency, such as reducing spending for DOE central operations and vacancy reductions.

 DOE’s Preliminary Plan maintained 100 percent FSF for all schools. The Preliminary Plan did not take into account the $296 million set for Foundation Aid as the second of third phase-in amounts, as part of the Campaign for Fiscal Equity settlement, and in the Governor’s State Executive Budget. The Preliminary Plan also did not reflect the impact of reduced enrollment of City schools on Foundation Aid, which is part of the State funding formula. DOE’s budget sees a decline of $1.4 billion in federal funding from Fiscal 2022 to Fiscal 2023 due to an expected drop in COVID-19 federal relief funding. Federal stimulus in DOE’s budget decreases from $3.4 billion in Fiscal 2022 to $726 million in Fiscal 2025.

The Preliminary Plan baselined $374.6 million in savings in Fiscal 2023 and in the outyears by reducing DOE’s budgeted headcount by 3,227. The Administration maintains that this budget action aligns DOE’s budget with actual headcount due to the pandemic induced decline in student enrollment, and that the 3,227 positions are vacant. The Preliminary Plan simultaneously offset the enrollment adjustment using $160 million in federal stimulus funding (the American Rescue Plan Act of 2021 and the Coronavirus Response and Relief Supplemental Appropriations) to support a budgeted headcount of 1,778 in Fiscal 2023. The net impact on the budget in Fiscal Year 2023 from these two actions would result in a decrease of $214.6 million to school budgets and 1,449 decline in budgeted headcount.

**Fiscal 2023 Executive Budget**[[10]](#footnote-10)

On April 26, 2022, the Administration released the Executive Financial Plan for Fiscal 2022-2026 (Executive Plan) with a proposed budget for Fiscal 2023 of $99.65 billion. DOE’s Executive Plan increased by $213.7 million (0.7 percent), from the Preliminary Plan ($30.74 billion). The net increase was the result of a number of actions taken, most significant of which were a $134.2 million Charter school revenue adjustment, a reallocation of $309.1 million in federal stimulus, $176 million for the Summer Rising expansion, $33.4 million for a career pathways expansion, and $49 million for contracted nursing.[[11]](#footnote-11) The decrease of $245.9 million for General Education Instruction and School Leadership Other Than Personal Services (OTPS)[[12]](#footnote-12) between the amount budgeted for Fiscal 2022 at adoption last June and the amount in the Executive Budget for Fiscal 2023 was primarily the result of a $291.5 million reduction in planned expenditure related to enrollment changes. This reduction was offset partially by an additional $160 million of federal stimulus funding that mitigated a portion of the enrollment adjustment in Fiscal 2023, part of the Administration’s effort to introduce the full enrollment adjustment over three fiscal years.

**Fiscal 2023 Adopted Budget**[[13]](#footnote-13)

The Fiscal 2023 Adopted Budget (Adopted Budget) for the DOE totals $31 billion, a decrease from $31.6 billion in the Fiscal 2022 Adopted Budget, or $533.4 million. This is primarily due to federal stimulus funding which was front-loaded by the prior administration to address pandemic-related needs. Federal funding is decreasing by $1.5 billion between the Fiscal 2022 Adopted Budget and Fiscal 2023 Adopted Budget and is offset by an increase of $518.5 million in state funding and $454.6 million in city funds. The large increase in state funding is part of year two of three of the State’s effort to address the Campaign for Fiscal Equity lawsuit. The Adopted Budget continues to maintain 100 percent FSF for all schools. The chart below shows the level of funding by these three primary sources in DOE’s budget for the last five fiscal years. In all years, these sources account for 99 percent of DOE’s budget with the remainder coming from federal community development block grants, intra-city agreements and grants.

The Fiscal Year 2023 Adopted Budget for DOE grows $79.1 million from the Fiscal 2023 Executive Budget. City funding accounts for $78.7 million of this growth or 99.6 percent. The changes to DOE’s Fiscal 2023 budget reflected at Adoption are primarily a result of Council priorities negotiated with the Administration totaling $26 million and Council discretionary funding which total $48.1 million. Together the Council’s priorities and discretionary funding account for 93.7 percent of the growth compared to the Executive Budget.

**Conclusion**

Today’s hearing will provide an opportunity for the Committee to examine the Fiscal 2023 Adopted Budget impact on school budgets. Additionally, students, parents, teachers, unions and other educational stakeholders will have an opportunity to raise their concerns.

1. New York City Department of Education, “FY 2020 New York State School Funding Transparency Form.” Accessed at: <https://infohub.nyced.org/reports-and-policies/financial-reports/financial-data-and-reports/new-york-state-school-funding-transparency-forms>. [↑](#footnote-ref-1)
2. *Id.* [↑](#footnote-ref-2)
3. Frutcher, N. and Mokhtar-Ross, C., “Historic Steps towards Funding Equity for NYC’s students,” *New York University Metropolitan Center for Research on Equity and the Transformation of Schools,* accessed at: <https://steinhardt.nyu.edu/metrocenter/historic-steps-towards-funding-equity-nycs-students>*.*  [↑](#footnote-ref-3)
4. New York City Independent Budget Office, “How Much Do Public School Budgets Vary Across the City’s School Districts and Boroughs?,” accessed at: <https://ibo.nyc.ny.us/iboreports/printnycbtn47.pdf>. [↑](#footnote-ref-4)
5. New York City Independent Budget Office Fiscal Brief, *New Funding Formula Seeks to Alter School Budget Disparities*, October 2007. Accessed at: <http://www.ibo.nyc.ny.us/iboreports/FairStudentFunding2.pdf>. [↑](#footnote-ref-5)
6. Frutcher, N. and Mokhtar-Ross, C., “Historic Steps towards Funding Equity for NYC’s students,” *New York University Metropolitan Center for Research on Equity and the Transformation of Schools,* accessed at: <https://steinhardt.nyu.edu/metrocenter/historic-steps-towards-funding-equity-nycs-students> [↑](#footnote-ref-6)
7. New York City Independent Budget Office Fiscal Brief, *New Funding Formula Seeks to Alter School Budget Disparities*, October 2007. Accessed at: <http://www.ibo.nyc.ny.us/iboreports/FairStudentFunding2.pdf>*.* [↑](#footnote-ref-7)
8. Fair Student Funding Analysis on file with the Committee. [↑](#footnote-ref-8)
9. The Council Fiscal 2023 Preliminary Budget Report can be accessed here: <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=5462774&GUID=0D7D89BC-F4D5-4C50-81FA-9D9677D13C90&Options=&Search>=. [↑](#footnote-ref-9)
10. The Council Fiscal 2023 Executive Budget Report can be accessed here: <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=5565098&GUID=630CD74F-B8BC-496B-A2A5-DC3CEFCF80CF&Options=&Search>=. [↑](#footnote-ref-10)
11. For more details on these adjustments, please see the Council Fiscal 2023 Executive Budget Report, which can be accessed here: <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=5565098&GUID=630CD74F-B8BC-496B-A2A5-DC3CEFCF80CF&Options=&Search> [↑](#footnote-ref-11)
12. Expenses other than salaries and fringe benefits. [↑](#footnote-ref-12)
13. Fiscal 2023 Budget, *see* <https://council.nyc.gov/budget/fy2023/>. [↑](#footnote-ref-13)