

## More Money For Schools Under Mayoral Control?

Proponents of mayoral control of the school system argued that there was never any incentive for a Mayor to provide significantly more funds to education, since he could not claim credit for any improvements. Opponents argued that this change in governance would allow the Mayor to decrease funding. Just in case the opponents were correct, the New York State Legislature strengthened the law requiring the city to maintain its fiscal effort for public schools. Were the optimists or the pessimists correct in their predictions?

A July 2005 report by the NYC Independent Budget Office (IBO) seems to support the optimists. The Educational Priorities Panel comes to the conclusion that the record is more mixed in an upcoming report, *Adding Up the Numbers: The Education Budget under Mayoral Control*. We reviewed the city's adopted budgets for a 5-year period as reported by the Office of Management and Budget, including the most recent one for Fiscal Year 2005-06.

EPP asked different questions about city funding than IBO did in its report. We wanted to know if city contributions to public education had increased, but we also wanted to know if the city was dedicating a larger percentage of its budget to this function after the Mayor was given control of the school system. In Fiscal Years 2001-02 and FY 2002-03, the Board of Education was an independent agency with the Mayor appointing only two out of seven seats on the Board. There are two ways of answering this question.

### Yes — If pension costs and debt service are included.

(in billions)

Fiscal Year	2001-02	2002-03		2003-04	2004-05	2005-6
City Funds	\$26.606	\$28.678		\$29.700	\$32.696	\$34.468
City Ed. Funds	\$5.592	\$5.927		\$6.738	\$7.020	\$8.141
Share	21.01 %	20.67 %		22.69 %	21.47 %	23.62 %

When most federal and state funds to the city are excluded, the share of the city's budget that goes to education has increased by 2.95 percent. The dollar increase is a whopping \$2.2 billion in the last three years under mayoral control. Almost \$1 billion of this increase reflects a jump in pension costs. Another half of a billion reflects an increase in the city's payment for principal and interest for debt incurred to build and repair schools.

Both pension contributions and policies for debt service have driven up the level of city support for the public school system. While pension contributions are mandatory, city policy makers have leeway in deciding how much debt they plan to pay in any given year by accelerating payments of debt or stretching them out through refinancing. While increases in pension contributions and debt payments do not mean that there are more employees or schools, they do mean that each employee and each building costs the city more dollars.

### No — If pension costs and debt service are excluded.

(in billions)

Fiscal Year	2001-02	2002-03		2003-04	2004-05	2005-6
City Funds	\$23.900	\$24.541		\$24.290	\$26.801	\$28.332
City Ed. Funds	\$4.878	\$5.057		\$5.126	\$5.412	\$5.773
Share	20.41 %	20.61 %		21.10 %	20.19 %	20.38 %

This five-year snapshot shows that the proportion of city funding for the public school system increased slightly in the year that the schools came under mayoral control and then decreased. In terms of

dollars, over the last three years city funding for the Department of Education's operating budget has increased by \$716 million. Had there been a collective bargaining agreement with the two major education unions, the city would have, in all likelihood, raised its dollar contribution to the schools.

EPP comes to a similar conclusion as the IBO that the city's contribution to the school system under mayoral control now exceeds the state's, a reversal of the pattern over the last two decades. School-year aid increases by the state will be \$322.7 million in 2005-06, and over the last three years the total comes to \$535.4 million. The larger context is that while the city's recent annual increases to the operating budget of the school system have not been appreciably larger than in the past, the state's school aid increases have become more modest.

Whenever the cost variables of pension and debt service are added to a report on the city's contribution to its school system, critics tend to say that the Mayor is trying to overstate city funding policies, because pension contributions are mandatory. But the Mayor may also be casting an eye towards Albany. In the rest of the state, non-municipal school budgets routinely report pension contributions and debt payments and so their local contribution to education appear to be larger than New York City's.

### **Can the city "afford" an extra billion for CFE?**

After the state's highest court issued its ruling in the Campaign for Fiscal Equity lawsuit, the Governor, the Senate Leader, and the Assembly Speaker all issued proposal for how much more the state should provide to New York City. All of them required the city to raise its level of funding. The Governor's plan would have required New York City to add \$1.5 billion to its budget for education over a five-year period, the Senate's plan \$554 million, and the Assembly's plan \$1.2 billion. So far, nothing has come of these plans. The legislature has taken no action to comply with the CFE ruling, and the Governor has continued to file legal appeals. Nevertheless, because a mandatory increase may be imposed in the near future, there is no incentive for the city budget decision makers to increase the level of their support for the school system during this interim period.

The question of whether the city can "afford" an increase of \$1 billion in its funding for public education has been raised frequently, especially by the Mayor. Two of the candidates running in the Democratic mayoral primary, former Bronx Borough President Fernando Ferrer and City Council Speaker Gifford Miller, have countered this assertion with their own tax proposals. Should the Mayor have taken this negotiating posture in Albany? Are these new taxes necessary? When pension and debt are included, the city's level of support has increased by over \$2.2 billion in three years. Given the growth of the city's overall budget, even with a less than robust local economy immediately after 9/11, these increases for the school system did not even appreciably alter the share of the city budget dedicated to education.

The issue is not whether the city will be forced to raise its support for its public school system, but how this increased support will be calculated. It is likely that legislators in Albany, some with school districts that receive just 10 percent of their funding from the state, will agree to vote for a CFE remedy only if the city also has to make a larger contribution to its own school system. Would a billion dollar increase by New York City include pension and debt service contributions? Or would it be above the city's current growth rate in funding for its public school system? These are questions that will be answered by Albany budget decision makers.