

Adding up the Numbers:

The Education Budget under Mayoral Control

Bulletin #2: 1/19/06

UNDER MAYORAL CONTROL ARE MORE FUNDS GOING TO INSTRUCTION?

[√] Not for all years. Though there have been increases over the last three years, there have also been steep one-year decreases in spending for general education and special education instruction and services.

SO, ARE MORE FUNDS GOING TO ADMINISTRATION?

[√] No, other budget practices account for reductions in spending for instruction and services.

When city schools opened in September 2003 under the first year of mayoral control, there were widespread reports by parents and teachers of larger class sizes, fewer course offerings in the high schools, and a reduction of special education services. Even more serious complaints emerged in September 2004, when many principals reported that they were facing cuts of \$100,000 to \$200,000 because of adjustments to their administrative funding allocations. These adjustments were rescinded by mid-September, but many principals were still left with fewer operating funds than the year before. Department of Education officials, on the other hand, claim that under *Children First* restructuring more resources are being directed to instruction.

Which assertion is the correct one? To answer this question, EPP assembled all the units of appropriation that are related to instruction in the last three adopted budgets for the Department of Education and grouped them under “general education” and “special education.” (For more details, see Table 6 in the Appendix.) This is the summary of proposed funding for instruction as of July 1 of each year:

(in millions, rounding will make some totals inexact)

	Adopted Budget		
Fiscal Year	General Ed	Special Ed	Total
2003-04	\$4,216	\$1,490	\$5,706
+/- prev. yr.	+\$321	+\$209	+\$530
2004-05	\$4,445	\$1,161	\$5,607
+/- prev. yr.	+\$229	-\$328	-\$99
2005-06	\$4,547	\$1,545	\$6,091
+/- prev. yr.	+\$101	+\$383	+\$484

This comparison of adopted budget allocations for instruction show that in the first year of mayoral control, 2003-04, there were increases in funding for both general education and special education and that the total increase for instruction came to more than half a billion dollars, \$530 million. In the Fiscal Year 2004-05 budget, however, there was a dramatic decrease in funding for special education, \$328 million. In the 2005-06 budget, this decrease is reversed by an allocation of \$383 million, which raises allocations to special education above the FY 2003-04 level.

EPP also looked the modified budgets for the Department of Education and the same pattern holds true for special education allocations, except that the decreases in special education funding begin in the 2003-04 school year and are reversed in the 2004-05 school year. This could be expected, because adopted budgets tend to reflect budget changes that took place in the previous year. The year-end modified budget for 2004-05 also shows that there is a decrease of \$44 million in allocations for general education. (See Table 7 in Appendix.)

To complete the analysis of instructional resources, EPP then looked at actual spending by grouping the same units of appropriation as they appear in the NYC Comptroller's *Annual Financial Statement* for each fiscal year which tracks actual spending. This provided a pattern of actual expenditures that substantiates, to some extent, the complaints that there have been reductions in funding for instruction in general education as well as special education: [correct total expenditures & increases]]

(in millions, rounding will make some totals inexact)

Actual Expenditures NYC Comptroller's Annual Financial Statement				
Fiscal Year	General Ed	Special Ed	Total Instruction	Total Dept. of Ed.
2002-03	\$4,050	\$1,595	\$5,646	\$12,772
+/- prev. yr.	+\$400	+\$219	+\$619	+\$897
Mayoral Control				
2003-04	\$4,619	\$1,150	\$5,769	\$13,142
+/- prev. yr.	+\$568	-\$445	+\$123	+\$370
2004-05	\$4,475	\$1,335	\$5,810	\$13,857
+/- prev. yr.	-\$144	+\$185	+\$41	+\$715

For more details, see Table 9 in the Appendix

This comparison of spending for instruction (not just budget plans) shows that in the first year of mayoral control, the drop in special education spending, \$445 million, was much more dramatic than had been reflected in both the adopted and modified budgets. Even in the 2004-05 school year, after an increase in expenditures of \$185 million, spending for special education still fell below the 2002-03 spending level, the year before mayoral control took place.

Spending for general education shows a mixed pattern. Despite the complaints of parents and school staff in the first year of mayoral control, general education spending increased by over \$568 million. But in the second year of mayoral control, there is a significant drop in spending for general education instruction, \$144 million. This drop in expenditures for general instruction explains why total expenditures for total instruction grew by only \$41 million in 2004-05, though total expenditures for the Department of Education increased by \$715 million that year. Obviously, the restorations of funds to schools in mid-September 2004 did not reverse reductions at the school level. EPP

concludes that in the first two years of mayoral control, in light of the steep reductions in spending for special education followed by reductions in spending for general education, there hasn't yet been a significant shift of resources to instruction at the school level.

SO, ARE MORE FUNDS GOING TO ADMINISTRATION?

Before mayoral control of the schools, Mayors traditionally pointed their fingers at the “bloated bureaucracy” of the school system whenever there were complaints about budget cuts at the school level. But fiscal experts and researchers have always come to the opposite conclusion that the New York City school system benefits from “an economy of size.” Given the huge numbers of students in the city’s school district and the larger-than-average size of most city schools, the student-to-administrator ratio is larger than in most other school districts in the nation. School districts with the highest proportion of administrative expenses are usually small rural and suburban districts.

Nevertheless, EPP looked at the units of appropriation for administration above the school level in the Comptroller’s reports on expenditures because so many parents and teachers focused on budgeted increases for the central office since mayoral control. There were also questions about whether there had been any real savings in the replacement of community school district staff by regional administrative staff. A three-year snapshot of spending for administration showed that savings in mid-level administration were offset by increases in spending by central administration. The proportion of expenditures for administration as a share of the Department of Education’s total spending, however, has remained close to 4 percent. “Bureaucratic bloat” still remains a red herring. [Correct totals]

(in millions, rounding will make some totals inexact)

Actual Expenditures				
Fiscal Year	Mid-level Admin.	Central Admin.	Total Administration	As a % of Depart. of Ed.
2002-03	\$240	\$283	\$524	4.10%
+/- prev. yr.	-\$35	-\$21	+\$8.9	
Mayoral Control				
2003-04	\$219	\$327	\$546	4.16%
+/- prev. yr.	-\$21	+\$44	+\$23	
2004-05	\$220	\$344	\$564	4.10%
+/- prev. yr.	+\$0.9	+\$17	+\$17.8	

For more details, see Table 9 in the Appendix to Bulletin #2

OTHER BUDGET PRACTICES ACCOUNT FOR REDUCTIONS IN SPENDING FOR INSTRUCTION AND SERVICES

All during the fiscal crisis of 1975 to 1977, when art classes were eliminated and class sizes grew, the city’s education funding was still above average for the state until 1984. In a retrospective analysis for EPP by Dr. Joan Scheuer of New York City’s public school funding during the 1980’s, the Panel found that in 1984 per-pupil funding began to fall below the average for school districts in the rest of the state. The explanation is very simple. After a decade of falling enrollment, student registers began to grow, largely because of immigration.

The budget policy adopted by the city in response to this enrollment increase proved to be corrosive. The Mayor's Office of Management and Budget stated that they would not fully fund school register increases, because while there might be a need to hire additional teachers due to an increase in students, there was no need to increase fixed-administrative expenses, such as more money for more school secretaries or additional librarians. Under Mayor Koch, whose priority was housing, few new schools were created to accommodate the rapid increase of students in neighborhoods that had become the destination points for new arrivals. Fixed administrative expenses did not grow because there was only a modest growth in the number of schools and the number of principals and school secretaries.

Since 1997 there has been a slow, but steady decrease in student registers. This has particularly affected elementary and middle schools. Overcrowding has now moved to the high schools, which is why there has been a slight increase in allocations for personnel costs at this level.

But the city's policy for funding enrollment has now changed. Instead of reducing school funding to reflect the lower number of teachers needed, a proportion of per-pupil administrative expenses are also being taken out of school budgets. Schools that were never fully funded for the increase in students are now losing funding at close to the city's share of instructional costs for a student. This coming school year, \$40 million will be taken away from school budgets for register decreases of close to 16,000 students, roughly \$2,500 per student.

This New York City budget policy is particularly reprehensible because at the state level, per-pupil operating funds are not reduced when student registers decline. In the rest of the state, school district budget policies have resulted in higher per-pupil expenditures and smaller class sizes whenever there is a student enrollment decrease. Current city budget policies will not result in these type of instructional improvements, but the reverse. Class sizes will not decrease because enrollment decreases immediately result in fewer teachers and any school where student registers have declined will also face difficult choices as to what out-of-classroom staff to eliminate, not just the reduction of teaching staff. These are "management efficiencies" that perpetuate understaffed schools and large class sizes. Essentially, the city's school system continues to receive state funding based on last year's allocation of operating funds even when student enrollment declines, but the city reduces city tax-levy funds to the schools whenever registers fall. This policy means the fewer resources are going to the school level and that students are not receiving the benefits from any increase in state funding.

Bulletin #3 will describe the budget system for schools in greater detail, because the unintended consequences of the allocation formulas have deepened the impact of the city's policy of reducing funding to schools whenever there is a decrease in student enrollment.

Recommendation:

Latest version:

- Since state Operating Aid (now called Flex Aid) is not reduced when school districts have lower student enrollments, there is no need for city schools to lose not only funding for teachers but also for out-of-classroom positions. The Department should adopt a budget policy, whenever a school has an enrollment decrease, of maintaining school administrative funding and re directing savings

from enrollment decreases to class size reduction. (These register-decline policies should not apply to schools that are in process of closing or other schools with a sizeable decrease in students.)