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Testimony of Sarita Subramanian

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To the New York City Council Committees on Education and Oversight and Investigations
Regarding the Department of Education's Fiscal Year 2023 School Budgets
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Good afternoon, Chair Joseph, Chair Brewer, and members of the City Council. My name is Sarita Subramanian and I am the assistant director for education at the New York City Independent Budget Office. Thank you for the opportunity to testify today. I will discuss the reduction in school budgets that will be phased in over the next two years, and summarize the forgiveness of budget reductions that took place over the last two school years due to the pandemic. IBO published a [budget brief](#) in March when the proposal to phase out this forgiveness was initially introduced in the Mayor's Preliminary Budget as part of its Program to Eliminate the Gap (PEG).

The city's Adopted Fiscal Year 2023 Budget includes a \$375 million reduction to school budgets due to declining enrollment that will be phased in over the next two school years—city fiscal years 2023 and 2024—and be fully in effect beginning in fiscal year 2025. The savings in 2025 and beyond will result from a reduction of 3,200 city-funded positions authorized within the DOE's general education instruction budget that are currently vacant. In 2023 and 2024, the Adams Administration reallocated \$160 million and \$80 million, respectively, of federal Covid relief funds to offset a portion of the reduction. As a result of this federal funding shift, school budgets will decline by \$215 million and 1,449 vacant positions in the upcoming school year (fiscal year 2023). In fiscal year 2024, the net decrease in school budgets will be \$295 million and the headcount decrease will be 2,338 vacant positions. Theoretically, the vacancy reductions would reduce schools' ability to hire additional positions. In reality, schools may have already committed those previously available funds for other uses.

Preliminary 2023 Budget PEG for School Enrollment Changes Will Begin Reducing School Budgets Next School Year								
<i>By Fiscal Year, dollars in millions</i>								
	2023		2024		2025		2026	
	Headcount	Budget	Headcount	Budget	Headcount	Budget	Headcount	Budget
PEG	(3,227)	(\$375)	(3,227)	(\$375)	(3,227)	(\$375)	(3,227)	(\$375)
Federal Relief	1,778	160	889	80	--	--	--	--
Net Reduction	(1,449)	(\$215)	(2,338)	(\$295)	(3,227)	(\$375)	(3,227)	(\$375)
SOURCE: IBO Analysis of Mayor's Office of Management data								
New York City Independent Budget Office								

City officials have indicated that the reduction was calculated using the Department of Education's (DOE) mid-year adjustments. Mid-year adjustments are part of the city's Fair Student Funding process, which is the city's methodology for allocating funds to schools for Kindergarten through 12th grade. Fair

Student Funding calls for school funding to be tied to the students enrolled, with the amount for each student varying by grade level, as well as student educational needs such as disability status and English Language Learner status. Mid-year adjustments increase or decrease school budgets in January or February based on differences in a school's actual enrollment compared with enrollment projections for each school made in the spring before the school year begins.

During the pandemic (both last school year and in the current school year) mid-year adjustment decreases were restored—meaning schools whose enrollments declined did not experience the mid-year budget cuts. The city used a combination of city tax levy funds and federal Coronavirus Response and Relief Supplemental Appropriations (CRRSA) funds to restore school budgets. The current school year's restoration impacted 1,200 schools, an increase of 37 percent from the last school year and accounting for almost 80 percent of 1,500 city schools funded through Fair Student Funding. Enrollment at the schools s funded through Fair Student Funding declined by almost 50,000 students (about 6 percent) from last school year to this school year. (Our calculation of this decline excludes 3-K, a population that grew substantially this year but whose funding is provided outside of the Fair Student Funding formula process.)

The impact of this reduction on schools' budgets will depend on each school's enrollment loss but also which *type* of students each school lost. For example, the DOE's Fair Student Funding formula provides the largest per pupil funds for students in integrated co-teaching classrooms—classrooms with two teachers that serve students with disabilities alongside peers without disabilities. Based on next year's funding formula, each student in that type of classroom in grades 1-12 would bring an additional \$7,300 to their school on top of the per pupil amount dedicated to their grade level.

Although the Fair Student Funding formula was first introduced in the 2007-2008 school year, it has never been fully implemented without adjustments made to the formula to hold certain schools harmless for various reasons. If the plans to no longer hold schools harmless due to pandemic enrollment losses remain, the 2024-2025 school year would be the first year in which the Fair Student Funding formula is fully in place for all schools. However, reductions to school budgets while schools are still trying to address learning loss and other social emotional effects of the pandemic, may put pressure on principals to make difficult decisions with fewer discretionary funds.

Thank you again for the opportunity to testify and I am happy to answer any questions.