

Spotlight

School Budget Allocations: A Primer

BUREAU OF BUDGET

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Introduction

Each year, the City of New York directs nearly 30 percent of its overall budget to fund the operations of the Department of Education (DOE). For the current school year, the operating budget for DOE totals \$31.5 billion, of which approximately 13 percent is Federal, 40 percent is State funded, and the remaining 47 percent is provided by City tax levy and other categorical funds. The DOE budget provides funding for a vast array of services to children in preschool to 12th grade that include classroom instruction, special education, charter schools, bilingual instruction, as well as a multitude of education support services. In addition to instructional and support services, the DOE budget also contains funding for major ancillary services such as school meals, transportation, custodial maintenance and school safety.

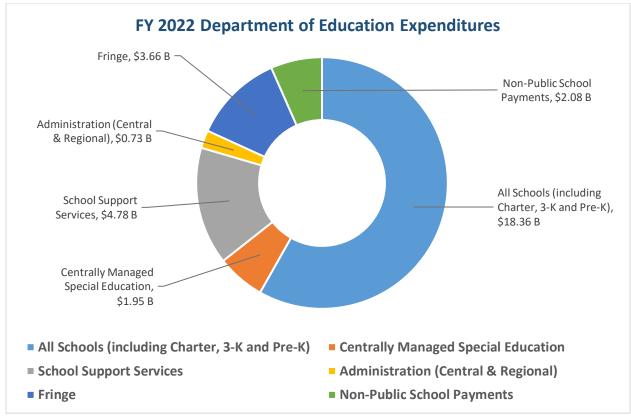


Chart S1

In FY 2022, over 58 percent (\$18.4 billion) of DOE's spending went towards all schools, including charter schools, 3-K and universal pre-K, as well as district Kindergarten through 12th grade schools and special education and alternative schools.

About one-third of the total DOE operating budget directly funds individual, non-charter school spending for Kindergarten through 12th grade.¹ These school budget allocations, estimated at more than \$11 billion in FY 2023, are mainly derived through a weighted per-student funding

SOURCE: NYC DOE

mechanism called "Fair Student Funding" (FSF). On average, about two-thirds of each school's budget allocations are provided through FSF, and the other third is a combination of categorical grant funding (e.g., federal Title I funding directed to schools with predominantly low-income students), and/or funding for programmatic priorities (e.g., special education compensatory services, Pre-K and 3-K, and other specific initiatives such as Summer Rising) that is often issued to schools through what are known as School Allocation Memorandums (SAMs). These non-FSF sources are considered restricted — dedicated to specific programs or student populations. This leaves FSF allocations as the primary tool in a principal's budget for teacher, specialist, and other staff decisions: how many classroom teachers to maintain in each grade, whether to have an art program, a social worker, or a special education class. According to DOE, 96 percent of FSF funds are used by schools for administrative, teaching, mental health and support staff.

While the Mayor's Executive Budget released on April 26 includes the overall total budget for the Department of Education, the allocations to individual schools are not yet available. Typically in late spring, the DOE provides each school its FSF allocation based on enrollment projections for the coming school year. Principals use that allocation, along with their other non-FSF restricted funds, to develop their school's line-item expense budget for teachers, counselors, social workers and support staff, enrichment programming and supplies. The FSF allocation gives principals budget flexibility, but it can also force a principal to make tough choices if that funding drops from one year to the next.

Fair Student Funding

School districts across the country have varying methods of funding schools, but most follow one of two basic methods of allocation: a centralized method that sends funding to individual schools based on the central administration's priorities for staffing and programming, or a per pupil method that utilizes a weighted formula to determine the unique funding level to be provided to each school. Per student funding methods are intended to achieve greater equity, increase budget transparency, and to provide principals with more flexibility in deciding how best to use their limited resources to meet the needs of their school. FSF is the per student method utilized in NYC. The DOE allocated approximately \$6.6 billion in FSF to cover nearly 60 percent of the \$11.4 billion schools received in FY 2023.

The Fair Student Funding formula includes several components. The first is a fixed base, or foundation, amount of \$225,000 for every school to cover administrative costs such as the principal's salary, regardless of size or type of school. This amount has not increased since 2009. Second, each fiscal year, the DOE develops a per student base amount that is adjusted annually for average teacher salaries and varies by grade level (elementary, middle, and high school). The grade-level allocation is intended to fund the basic instructional needs of students, including classroom teachers and instructional supports, as well as counselors, after-school programs and instructional materials. Finally, the FSF formula applies specific weights for additional per pupil funding for students with disabilities, English-language learners, or other needs that impact student achievement. Specialized high schools also receive an additional per student weight, as do Career and Technical Education high schools and transfer high schools. Finally, each school's allocation includes a lump sum to cover any increases from collective bargaining negotiations relevant for that year.

Table S1: SY 2022-2023 Fair Student Funding Weights

Grade Base Weight	Weight
Grades K-5	1.00
Grades 6-8	1.08
Grades 9-12	1.03

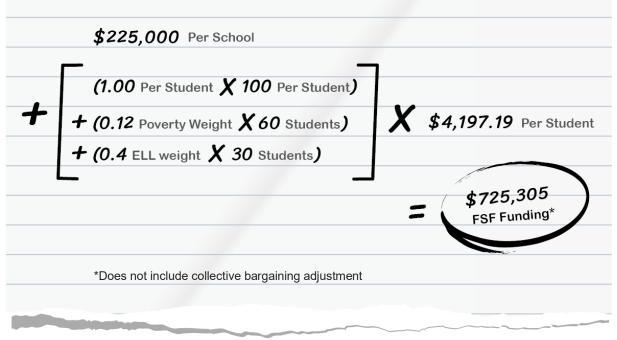
Academic Intervention	Weight
Poverty K-12	0.12
Below Standards 4-5	0.25
Below Standards 6-8	0.35
Below Standards 9-12	0.25
Well Below Standards 4-5	0.40
Well Below Standards 6-8	0.50
Well Below Standards 9-12	0.40
Heavy Graduation Challenge (OAUC) ¹ Over-the-Counter (OTC) 9-12	0.40

English Language Learners	Weight
Standalone English as a New Language (ENL) K-5	0.40
Standalone English as a New Language (ENL) 6-12	0.50
Bilingual K-5	0.44
Bilingual 6-12	0.55
Commanding K-5	0.13
Commanding 6-12	0.12
Students with Interrupted Formal Education (SIFE)	0.12

Special Education	Weight
Low Intensity <=20%	0.56
Moderate Intensity 21% to 59%	1.25
Less Inclusive >=60% K-8	1.18
Less Inclusive >=60% 9-12	0.58
More Inclusive >=60% K	2.09
More Inclusive >=60% 1-12	1.74
Post IEP Transitional Support	0.12

Portfolio High Schools	Weight
Career and Technical Education (CTE) Tier 1	0.26
Career and Technical Education (CTE) Tier 2	0.17
Career and Technical Education (CTE) Tier 3	0.12
Career and Technical Education (CTE) Tier 4	0.05
Specialized Academic	0.25
Specialized Audition	0.35
Transfer Heavy Challenge (OAUC) ¹	0.40
Transfer Non-Heavy Challenge	0.21





For FY 2024, two new weights were recommended by the <u>Fair Student Funding workgroup</u> convened by the Chancellor last fall. The first is a per capita weight for students in temporary housing to account for the specific challenges these students face. The second is a school-based weight for schools with significant proportions of students with additional needs—such as students in temporary housing, students with disabilities, students living in poverty, students in foster care, and students who are English language learners and others. The DOE has identified the 300 schools with the greatest concentration of needs and they will receive an additional weight for every student on their register. The DOE has said that these two new weights are additive to school allocations, meaning that there will be no shift of funds from other schools, or a reduction in other weights, to fund the new ones. Rather, schools with higher numbers of students in temporary housing and/or with multiple needs should receive greater allocations compared to last year, and other schools' allocations would remain the same, if enrollment and other measures are equal. (The City's Executive Budget does not indicate where the additional funding for these new weights will come from).

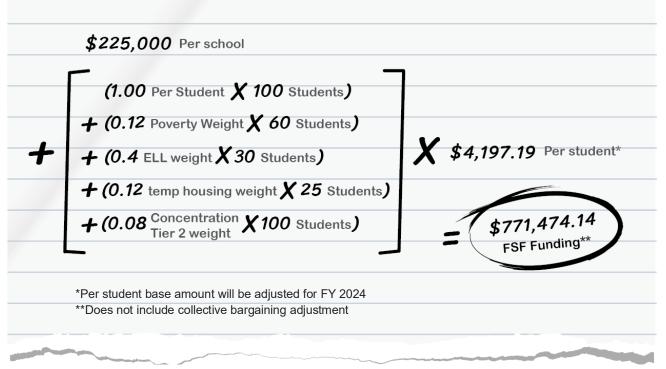
Table S2 provides the weights that will be used in allocating Fair Student Funding in FY24,

Table S2: SY 2023-2024 Fair Student Funding Weights

New Weights	Weight
Students in Temporary Housing	0.12
Concentration Need Tier 3	0.12
Concentration Need Tier 2	0.08
Concentration Need Tier 1	0.04

SOURCE: NYC DOE

Elementary school example with 100 students, 60 of whom live in poverty, 30 of whom are English Language Learners, and 25 of whom are living in temporary housing. School has a Concentration of Need (Tier 2).



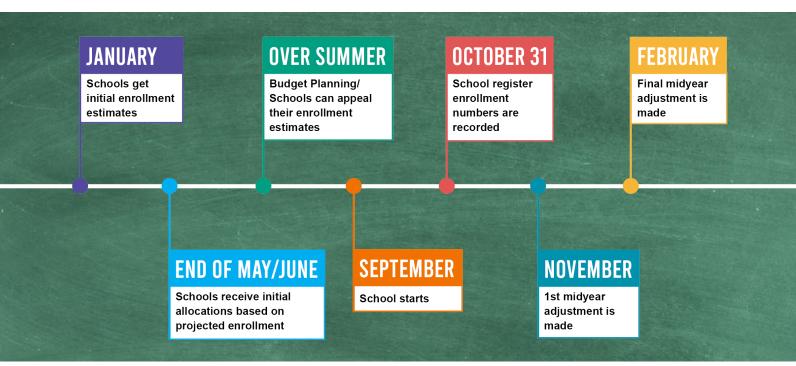
From a strictly budgeting perspective, it may appear reasonable to reduce funding based on declining enrollment. At the school level, however, funds are not spent "per student." If our imaginary school of 100 students loses 7 students, for example, they might be forced by the FSF reduction to eliminate one teaching position and collapse a classroom, increasing class sizes from 25 (4 classes x 25 = 100 students) to 31 (3 classes x 31 = 93 students). Alternatively, the principal might decide to eliminate the art or music teacher, or the school counselor.² Technically, the FSF per-student funding has remained the same for the 93 students who remain, but their education has gotten materially worse.

The Fair Student Funding Allocation Timeline

The DOE provides principals projected enrollment for the following school year in January. In late Spring, the DOE releases the initial school budget allocations for the coming school year based on those initial enrollment projections for each school and the FSF weights, plus the fixed base amount. These FSF allocations, plus any additional restricted amounts the school receives, form the core funding for a school. Principals make their spending decisions and submit expense budgets back to DOE for the coming year based on these initial allocations.

Using enrollment numbers reflecting individual school registers as of October 31, the DOE releases "preliminary" enrollment figures for the current school year, with final "audited" registers published later in the school year. Typically in late November and early February, "mid-year adjustments" to school allocations are issued, mainly based on the difference between the October 31 pupil counts and the enrollment projections from the initial budget allocations the prior spring. Schools with lower than anticipated enrollment face budget reductions, and those with greater than projected enrollment will see an increase in their funding allocation for that year.

The mid-year adjustments are meant to equalize funding with need, particularly for schools with more students than anticipated. Yet the mid-year adjustment arrives long past the point at which principals can make meaningful staffing or classroom adjustments. When enrollment estimates are too high, schools must actually give back the money for students who did not materialize in the fall even if they already made hires and set classes based on it. Students enrolled after the cutoff date of October 31 are generally not included in the FSF funding a school receives, as is the case for thousands of students from families seeking asylum this year (though a limited amount of extra funding was added last fall to schools that had seen a significant influx of asylum seeker students through a SAM).



Pandemic Register Relief

During the pandemic, school enrollment declined at a greater pace than historic patterns. Significant declines in funding typically would have followed the enrollment drop from the enrollment projections in the spring of 2020 to the actual enrollment in October 2020. Due to both the unanticipated nature and size of the decline, the challenging and unprecedented needs and costs associated with educating children that year, and fortunately, the availability of federal stimulus funds, the DOE held schools harmless for 100 percent of their enrollment declines for the 2020-2021 school year (FY 2021).

Enrollment continued to decline in the 2021-2022 school year, and federal stimulus funds were included again in FY 2022 to hold schools harmless and maintain funding levels consistent with pre-pandemic enrollment targets. However, because the stimulus funds are not ongoing, the DOE has reflected a ramp-down of "register relief" in the Financial Plan in anticipation of federal stimulus funds expiring in 2025.

Table S3: Register Relief Funding Summary

(\$ millions)	FY 2021	FY 2022	FY 2023	FY 2024 (Planned)	FY 2025 & out (Planned)
Initial Estimates	\$-	\$44	\$160	\$80	\$-
Adjustments	177	324	136	80	-
Total	\$177.00	\$368.00	\$296.00	\$160.00	\$-

SOURCE: NYC Office of Management and Budget, NYC DOE and Office of the NYC Comptroller

Looking Back: FY 2023 School Budget Allocations

In June 2022, the DOE released initial FY 2023 budget allocations to individual schools. Primarily as a result of DOE's projections for enrollment decline of approximately 7.5 percent, the FY 2023 initial allocations showed a decrease of \$488 million in FSF allocations when compared against the initial allocations from FY 2022. The FY 2023 DOE budget had set aside \$160 million in Federal stimulus money to hold schools harmless from funding losses due to declining enrollments. After adjusting for the register relief allocations, schools still faced a net collective shortfall of about 5 percent, or \$373 million.

As the Comptroller's Office <u>detailed</u> at the time, the disparity between schools with gains and schools with losses in their projected enrollments masked even deeper cuts to the 70 percent of schools with projected declines. Of a total of 1,520 schools analyzed, 354 schools received FSF increases totaling \$96 million following projected enrollment increases of more than 7 percent or 12,102 students. The other 1,166 schools received net reductions of about \$469 million with

projected enrollment declines of over 11 percent or 73,681 students. The average reduction was \$402,456, and over 450 schools saw cuts exceeding 10 percent of their budgets.

Prior to the COVID-19 pandemic, projections and actuals for school district enrollment tracked each other fairly closely, with variances below 1 percent in 2019 and 2020. However, as enrollment fell steeply during the pandemic, the DOE initially overestimated enrollment by over 17,000 students in FY 2021 and over 30,000 students in FY 2022. Perhaps as a reaction to these overestimations, DOE over-projected register declines for FY 2023. The FY 2023 final register increased by 13,751 students, a recovery of nearly 2 percent from the initial projections.

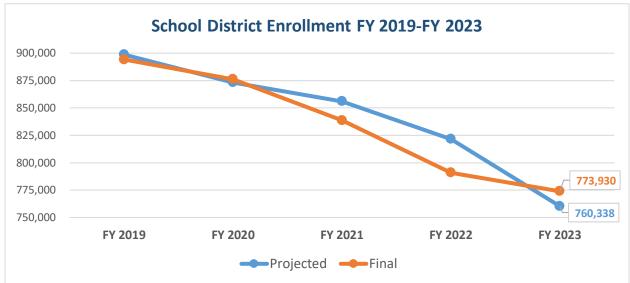


Chart S2

In response to the public outcry in the summer of 2022, the City pledged to restore \$200 million for schools with lower-than-expected enrollment, and in the subsequent mid-year adjustments in November 2022 and February 2023, the DOE provided \$82 million in additional FSF allocations for schools whose enrollments were higher than initially projected and \$136 million in additional register relief. The DOE also allotted another \$96 million in other adjustments during this process, culminating in a total increase of \$314 million for school budgets from the initial allocations released in June 2022, nearly offsetting the original net decline of \$373 million. Among the 1,166 schools that sustained funding losses in their FY 2023 initial allocations (compared to FY 2022 initial allocations), the DOE restored more than half, or \$277 million, to their budgets, but not until halfway through the school year, well after hiring decisions for the year had been made. Meanwhile, the 354 schools that received initial increases gained an additional \$37 million.

SOURCE: NYC DOE; Office of the NYC Comptroller

Looking Forward: FY 2024 School Funding

Yesterday, May 8, the DOE released its projected enrollment figures for the coming 2023-2024 school year, though the school budget allocations remain forthcoming. As last year's process highlighted, this information is critical for understanding how much funding principals will have to make decisions about how to staff classroom instruction and support services in their schools. The Comptroller has asked the Mayor and Chancellor to release individual school budget allocations by May 22, 2023, the scheduled date for the City Council's Executive Budget hearing on the DOE budget.

Here's what we know about education spending for FY 2024 so far:

The State Allocation

The State budget, which was finalized last week, includes \$9.43 billion in Foundation Aid and \$12.94 billion in formula-based school aid overall for NYC for the 2023-2024 school year, approximately \$337 million more than what DOE included in the Mayor's Executive Budget for FY 2024.

State Foundation Aid can be used flexibly and interchangeably with City funds within the DOE, and will not necessarily go directly to schools' budgets. State funding may be used for other growing DOE expenses, including charter schools, school transportation, and Carter cases (due process claim related special education services and tuition outside of the DOE).

Programs to Eliminate the Gap

As with other City agencies, DOE was required to submit savings initiatives to the Office of Management and Budget, although in the most recent round, the DOE was given a 3 percent savings target, while most other agencies were given a 4 percent target. The FY 2024 budget has been reduced in total by \$1.12 billion through these efforts since the FY 2023 budget was adopted in June.

The November Program to Eliminate the Gap (PEG) program primarily reduced staffing related to the vaccination mandate and reduced outyear funding for 3K. The Preliminary Plan in January reduced vacant positions in FY 2024 and the outyears. And the recently announced Executive Budget included a \$306 million reduction due to a re-estimate of fringe benefits. All of the plans reduced funding for school safety agents, citing delayed hiring, for a cumulative reduction of \$28.3 million in FY 2024 in salaries and fringe.

None of the PEG plans specified impacts on school budgets per se, but given the difficulty in linking the overall budget estimate to the amount available for schools within the DOE budget, they do not preclude them, and could counter the benefit of the additional State support.

What we're watching for:

How will the DOE's enrollment projections impact individual school funding allocations?

The overall enrollment projections for the 2023-2024 school year released by DOE, estimate a 0.6 percent decline for the coming school year compared to this year's final register count. Enrollment projections differ for each school, and variability in other factors such as the specific makeup of student needs at a school and changes in restricted funding can differ year to year. Therefore most principals do not have enough information to predict their budget prior to the release of school budget allocations in late May or early June.

How will DOE fund the new FSF weights?

The new FSF weights for students in temporary housing and the 300 schools with the highest concentration of needs are anticipated to require an additional \$90 million in funding. The Mayor's Executive Budget did not add funding to the DOE to cover this expense, so the Department will either need to self-fund from other areas of the Department's budget, fund with anticipated State funding in the Adopted Budget, or City-funds will need to be added to DOE's budget at budget adoption in June.

How will DOE plan for reductions in Federal Stimulus Funds?

Federal stimulus education grants under the American Rescue Plan Act (ARPA) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) are budgeted to fall by almost \$250 million in Fiscal Year 2024 to \$1.75 billion,³ reducing the likelihood that these funds can be tapped into again to support additional register relief beyond the \$160 million already reserved for this purpose in FY 2024. In FY 2023, the DOE was able to redirect an additional \$136 million in stimulus funds for register relief as part of the midyear budget adjustments beyond the original budgeted amount of \$160 million.

Overall, register relief provided by the Department has forestalled school budget cuts for more than 1,350 schools in both FY 2023 and FY 2024, as shown in Table S4. The end of these provisions would have a widespread impact affecting nearly 90 percent of the roughly 1,500 NYC DOE schools in total. As shown below, the FY 2022 and FY 2023 register relief totaled about \$368 million and \$296 million, respectively. 1,259 schools received register relief in both years. As the distribution shows, the decline in funding between these two years appears mainly in the upper bands of schools receiving in excess of \$250,000. Hence, the majority of schools, which sit in the lower bands of receiving less than \$250,000, appear generally protected from severe reductions due to reduced enrollment so far.

	FY 2022		FY	2023
Schools Receiving:	Number of Schools	Register Relief Allocated	Number of Schools	Register Relief Allocated
\$2 million or more	1	\$3,406,546	1	\$2,380,470
Between \$1 million to \$2 million	31	39,858,775	10	13,020,693
Between \$500,000 to \$1 million	160	104,219,439	103	66,859,973
Between \$250,000 to \$500,000	376	131,084,831	302	104,653,417
Between \$100,000 to \$250,000	417	72,261,473	533	87,225,150
Less than \$100,000	378	17,075,745	402	22,104,831
Total	1,363	\$367,906,809	1,351	\$296,244,534

SOURCE: NYC DOE; Office of the NYC Comptroller

In the current school year, 252 schools received Register Relief allocations that were worth 10 percent or more of their FY 2023 FSF allocations, and an additional 384 schools received Register Relief allocations that were between 5 and 10 percent. Even if their enrollment does not decline any further in the coming year, schools should expect to see register relief driven reductions in their school allocations for this coming year and even greater the following year.

Conclusion

As the school year ends and summer approaches, school communities do not yet have sufficient information to plan for the coming year 2023-2024 school year. School-level funding information should be released as soon as possible to allow for a robust conversation about funding NYC schools as part of the budget negotiations underway between the Mayor and the City Council and while School Leadership Teams (SLTs) can still meet and engage with principals on budget decisions before the end of the school year.

The City must address the challenge of providing consistent funding to schools year to year as federal pandemic aid comes to an end, new class size mandates go into effect, and enrollment continues to decline in New York public schools. Meeting the mandate to reduce class sizes, fulfilling the obligation to students with special needs, expanding early childhood education, and continuing valuable programs launched with stimulus funds, such as the new dyslexia programs and Summer Rising, and thoughtfully addressing the needs of students at schools with declining enrollment present real challenges in the coming years.

For more information:

Initial school-level Fair Student Funding Allocation Overviews

Initial school-level Fair Student Funding Details

Total school-level funding allocations (including final FSF allocations, categorical grants and other restricted funding sources)

Acknowledgements

This report was prepared by Manny Kwan, Assistant Budget Chief, Lara Lai, Sr. Policy Analyst & Strategic Organizer, and Krista Olson, Deputy Comptroller for Budget, with assistance from Naomi Dann, Communications Director, and Annie Levers, Assistant Comptroller for Policy. Archer Hutchinson, Creative Director, led the design.

Appendix: Budget Review Process

The formal process that leads to the development of school budget allocations begins early in the calendar year upon the release of the City's Preliminary Budget for the upcoming fiscal year, which normally takes place in January or February, followed by the release of the City's Executive Budget in late April.

The DOE must present both its proposed FSF weights and its overall budget estimates for the coming school year to Education Councils and the Panel for Education Policy (PEP). Community Education Councils (CECs) and Citywide Councils (representing larger constituencies such as high schools and special education students) are part of the City's school governance structure as required by New York state education law. Each community school district is represented by a council comprised of parent and non-voting student volunteers who approve zoning changes, hold public hearings on issues such as district capital planning, engage with SLTs, perform a key advisory and advocacy role on education policies and provide inputs to the Chancellor and the PEP. The PEP is a separate entity consisting of mayoral appointees, borough president appointees, as well as representatives elected by CEC presidents.⁴ The Panel is the closest thing to a school board under the current system of mayoral control and is responsible for approval of contracts, school utilization changes, as well as administrative, budget, and other major policies governing the school system. The PEP is mandated to vote annually on the estimated DOE budget, the FSF weights, and the aggregated budgets for school districts.

Historically, the proposed FSF weights have been presented to the PEP in April or May for the upcoming school year, and the DOE budget estimate for the respective fiscal year in June, but sometimes as late as July or August, after the fiscal year begins. The budget estimates voted on by the PEP are high-level and don't address either individual school allocations, or even the aggregate amount of the DOE's budget that will be allocated to schools.

For the current school and fiscal year 2023, proposed weights were brought to the PEP in May of 2022, but were not initially approved and were resubmitted in June. The DOE's Annual Estimated Budget was also submitted for approval at the same meeting, on June 23, 2022. As had happened previously, due to this timing, the PEP approval for the overall DOE budget estimate occurred after the initial school FSF allocations were issued, and after the City's overall budget was Adopted by the City Council.

Subsequent to the release of the initial allocations, a group of teachers and parents filed a lawsuit against the DOE that led to a temporary injunction on the cuts under an August 2022 ruling by the Manhattan Supreme Court, until the City Council had an opportunity to revise the DOE budget. An appellate court order in November 2022, however, overturned the initial ruling and allowed the DOE to proceed with the original cuts.

Due to the lawsuit and fall out from the larger than anticipated school budget cuts that occurred last year, the DOE brought its annual budget estimate to the PEP in March this year for the 2024

school year. Because these estimates were provided earlier in the year, they are only consistent with the funding sources and spending structure established in the Preliminary Budget. Due to its timing, the March vote did not capture school aid changes stemming from the passage of the State budget or subsequent changes to the DOE's budget that occurred in the Mayor's Executive Budget. Additionally the early vote on the budget estimate preceded the PEP vote on the FSF formulas which took place in May. In other words, what is presented to CECs and the PEP is not a complete picture of the funds that will ultimately be available to the DOE at large, nor does it provide details on what the schools will ultimately receive.

While the mandatory review and approval process brings some added scrutiny to DOE finances, it provides scant specifics on school budgets for the coming year. At best, the process only sets basic parameters for sources and uses of DOE resources and a general overview of DOE spending priorities, subject to final aid amounts.

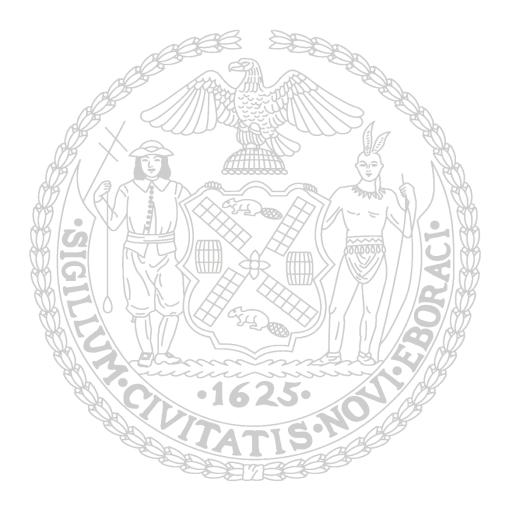
Endnotes

¹ The Fair Student Funding formula applies to K-12 district schools, and does not apply to 3K/Pre-K, District 75 or District 79 schools, or charter schools. District 75 provides highly specialized instructional support for students with significant challenges, such as autism spectrum disorders, significant cognitive delays, emotional disabilities, sensory impairments or multiple disabilities. District 79 is NYC's Alternative Schools district, serving high school students, young adults and other students, including incarcerated youth, who require alternative approaches to education.

² Enrollment based FSF declines are a particular problem for special education classes with a mandated number of students such as ICT classes, where there may be a few students in need of a class, but not enough funding for the necessary teachers and paraprofessionals.

³ See the Office of the New York City Comptroller's <u>Federal Stimulus Fund Tracker</u> for a more detailed review of Federal Stimulus awards and spending, including education stimulus spending.

⁴ The Panel for Education Policy consists of 23 voting members, including five members appointed by respective Borough Presidents, five members elected by CEC presidents (one from each borough) and 13 members appointed by the Mayor that must include 4 parents of children in the school system (with at least one child with an individualized education program, one child participating in a bilingual education or English as a second language program, and one child enrolled in a District 75 citywide special education program). These members are in addition to the City Comptroller and the Chancellor serving as ex-officio and non-voting members on the panel.





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