



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

Testimony of New York City Deputy Comptroller for Budget Krista Olson

Rockefeller Institute NYC Foundation Aid Public Hearing

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Introduction

Good afternoon. My name is Krista Olson, and I am the Deputy Comptroller for Budget in the Office of New York City Comptroller Brad Lander. Thank you to the Rockefeller Institute for taking the time to seriously review the State's Foundation Aid formula. And thank you for giving me the opportunity to speak today on how that formula could more equitably support our public school students.

At \$9.9 billion in FY 2025, Foundation Aid is the largest source of state funding for the NYC Department of Education. And yet the Comptroller's Office estimates that state funding will represent just 37 percent of DOE's total budget in Fiscal Year (FY) 2025, part of a historical decline in state funding as a percent of total education funding in NYC, down from 42 percent in FY 2009. This is against the backdrop of substantial and outsized stresses on the NYC educational system such as the loss in federal stimulus funding, the enrollment of tens of thousands of students from families seeking asylum—who have extraordinary academic, economic and mental health needs — and, lastly, the need to comply with the State's class size mandate.

In stark contrast, other New York State municipalities such as Buffalo and Syracuse receive more than 80% of their school district funding from the state.

As the State reviews the Foundation Aid formula, I would like to propose several recommendations that would benefit students across the state, and in particular those in NYC, where, as of 2023, 648,000 or 72% of students in NYC public schools live in poverty, 193,000 students or 21% have disabilities, 134,000 or 14% are learning English as a new language, and more than 106,000 students or 11% of all students live in temporary housing.

Recommendations

1. Adopt more specific and equitable weights

The Foundation Aid formula represents a reality two decades past. It no longer reflects the true costs associated with educating high-need children nor does it include more nuanced measures of poverty. Students in temporary housing, students with disabilities, and students who are learning English as a new language all have unique needs and require specialized services and additional resources to provide them with an appropriate education.

As an example, here in NYC, this past school year over 17,000 K-12 student Individualized Education Program (“IEP”) recommendations for related services such as speech therapy, occupational therapy, or counseling were unfulfilled by DOE. For preschool age children, 41% or 12,000 children as of 2023 were either not fully placed in a program or not receiving their full IEP mandated services. The Comptroller’s Office has recommended that DOE invest \$100 million to scale its ability to provide services— which would involve offering competitive contract rates to providers and incentives such as financial assistance for graduate school, licensure, and certification to recruit DOE staff. This is an investment that could be realized with adjustments to the Foundation Aid formula that reflect the current cost of a free and appropriate education for these students, so that every student with disabilities in NYC can receive the services they need.

It is time to introduce more specific metrics to enable schools to better serve different populations of high need children.

2. Fairly fund the cost of state-chartered charter schools in NYC

New York City bears a disproportionately high cost for charter schools relative to other municipalities in the state. NYC is the only district in the country required to pay the leases of charter schools—a cost only partially reimbursed by the state. The estimated payout for charter leases in FY 2025 is \$148 million or \$89 million after state reimbursement. Not only is this an expense that takes money away from district schools, but it forces DOE to co-locate charter schools to avoid the cost. At a time when DOE needs all available space to meet the class size law, the charter lease requirement should be repealed.

NYC is also the only district in the state excluded from receiving transitional aid for mandated charter school payments by New York State Education Law §3602(41). New York City’s public schools have lost \$2.9 billion since 2011 in absent transitional aid payments according to the Education Law Center , while 80% of all NY state charter schools are located in NYC. As a result of this exclusion, too little Foundation Aid provided by New York State is reaching our district schools.

The time to stop these unfair losses to New York City is long overdue. The Comptroller asks that the State use this opportunity to provide New York City with the same supplemental aid for charter school payments that the State provides to every other eligible district and eliminate the charter lease payment requirement. Continuing to require that New York City pay for more than our fair share of state-mandated charter tuition payments is unfair to the NYC public school children attending district schools.

3. Adequately funding NYC to reduce class size

New York State Education Law section 211-d requires New York City to reduce class sizes according to mandated targets, with a timeline and financial consequences imposed by the State. No other district in New York has this requirement. In his recent class size plan certification letter to the Governor, Assembly Speaker, and Senate Majority Leader, Comptroller Lander noted that “the city school district’s education expense and capital funding plans do not provide sufficient funding to reduce class size as required by state law. Specifically, the City’s Financial Plans released on November 16, 2023, January 16, 2024, and April 24, 2024, do not include sufficient expense funding to implement the class size reduction plan set forth in DOE’s November 15, 2023 report. Current City and State aid funding is sufficient to maintain current class size levels, which achieve the target set by the legislation for the 2024-2025 school year, but not higher targets set for subsequent years.”

The Office of the Comptroller estimates that the incremental cost of the additional teachers required to achieve the class size targets ranges between \$374.2 million and \$422.5 million in FY 2026, \$920.7

million and \$1.02 billion in FY 2027, and growing to between \$1.50 billion and \$1.65 billion at full implementation in Fiscal Year 2028. These costs are not covered by recent increases in State aid.

Without additional support, this funding gap will mean cuts to arts classes, to social workers and guidance counselors, to Outward Bound Programs, to early childhood education. And as a recent analysis from the Comptroller's Office shows, the majority of overcrowded classrooms in NYC are not in low income, Black and brown neighborhoods which have experienced significant declines in enrollment—without added funding, these schools could see cuts in their funding to provide DOE with the resources to address class size in other parts of the City. As the State considers adjustments to the Foundation Aid formula, the unique requirements of the class size targets in NYC must be taken into serious consideration.

4. Review the Regional Cost Index and Inflation Factor Adjustment

The DOE must contend with the high cost of operating in NYC, a large, unionized workforce, and substantial pension obligations. The Commission should review the Regional Cost Index metric, which has not been updated since 2006. In addition, a consistent inflation factor that accurately reflects rising costs is necessary for all municipalities to maintain education levels over time.

Conclusion

To conclude, NYC's high need student populations—students who live in extreme poverty, students who are homeless, students with disabilities, students learning English — could themselves constitute an entire school system elsewhere. It is essential that the Foundation Aid formula provide all of these public school students with a sound basic education. Changes that foster greater funding equity and address the class size law and charter school spending are a good first step. Thank you.

