

March 2022

Fewer Students, Fewer Dollars: DOE Savings Plan Phases Out School Budget Cut Forgiveness Available During the Pandemic

The Mayor's Preliminary 2023 Budget includes \$30.7 billion in 2023 for the Department of Education (DOE), \$1.3 billion less than the amount budgeted in the current year (all years refer to fiscal years unless otherwise noted). The reduction in the budget between this year and next is primarily the result of the decline in federal Covid-related relief funds that inflated the DOE's 2022 budget. The decline in federal relief funds between 2022 and 2023 is partially offset by a \$600 million net increase in city funds for DOE in 2023, which includes a number of new needs added to the budget, as well as several education savings initiatives in the city's Program to Eliminate the Gap (PEG).

The DOE's portion of the PEG for 2023 totals \$557 million of savings and includes several different initiatives.¹ The largest is a \$375 million reduction in spending that stems—according to city budget documents—from a reduction in authorized headcount following enrollment declines at many schools. The savings result from a reduction in the number of city-funded positions allocated within the DOE's general education instruction budget that are currently vacant. The DOE's school enrollment PEG initiative would eliminate approximately 3,200 such city-funded positions beginning in 2023. The \$375 million of savings is baselined throughout the entire plan period, as the DOE assumes that enrollment declines will not be reversed in the near future.

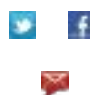
A portion of the headcount reduction resulting from the PEG is offset, however, by the reallocation of federal Covid-relief funds from other areas of the DOE's budget. The Preliminary 2023 Budget includes the transfer of federal funds, \$160 million in 2023 and \$80 million in 2024, into the DOE's general education instruction budget. As a result of this federal funding shift, the proposed 2023 headcount reduction totals 1,449 rather than 3,200. In 2024, less federal funding is reallocated, so that the headcount decrease is 2,338 positions. No additional federal funds

are available after 2024 to offset the reduction in city funds, therefore the headcount reduction would include the entire 3,200 positions included in the PEG.

Enrollment PEG Based On Past Two Years of School's Mid-Year Adjustments. City officials have indicated that the enrollment PEG was calculated using the DOE's mid-year adjustment calculations. 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's traditional public schools experienced an unusually large decline of almost 38,000 students between the 2019-2020 and 2020-2021 school years, the largest decline in a decade, with an additional decline projected from 2020-2021 to 2021-2022.² (IBO does not yet have final audited enrollment data for the current school year as the DOE has been slow to release them.) Educators and researchers attribute the declines during the pandemic to a variety of factors, including increased home-schooling, enrollment shifts into local charter and private schools, and migration of families out of the city.³

These trends have a large impact on school budgets because the methodology for allocating funds to city schools allows for funding to follow the student, with funding for each student varying by grade level, as well as student educational needs such as disabilities status and English Language Learners. A recent [IBO report](#) identified that much of the enrollment loss experienced by traditional public schools last year occurred within the youngest cohort of students.⁴



During the last school year, the DOE initially provided \$133 million of its \$2.1 billion federal Coronavirus Response and Relief Supplemental Appropriations (CRRSA) funding to restore a portion of the reductions schools faced under the mid-year adjustment process.⁵ Eventually, as a result of widespread concern that core school services were being impacted by the funding cuts, the de Blasio Administration reversed the entire cost of the mid-year adjustments—a total of \$177 million—which eliminated the budget cuts to all 873 schools affected. Of that cost, 25 percent of the restoration used city tax levy dollars, with the rest from CRRSA funds. The additional support allowed schools to continue to pay teachers, provide funding for needed substitutes, and address learning losses due to the pandemic.

During the current school year, the tension between right-sizing school budgets based on actual student enrollment, even as schools' needs have increased as a result of the pandemic, continues. Although citywide enrollment has decreased, the needs of the existing student population have increased, particularly in relation to academic recovery due to learning loss and students' social-emotional needs. The DOE again plans to hold schools harmless from enrollment reductions in the current school year, restoring approximately \$324 million of would-be budget cuts due to the mid-year adjustments using both CRRSA and city funds. This year's

restoration impacts 1,200 schools, an increase of 37 percent from last year and accounting for almost 80 percent of all schools in the city. City-funds make up the majority of the mid-year adjustment restoration for this school year: with \$253 million coming from city funds and \$71 million of CRRSA funds.

Conclusion

As traditional public schools experienced continued declines in enrollment over the last two years, exacerbated by the onslaught of the Covid-19 pandemic, the number of schools that are subject to mid-year adjustments (reductions in their budgets) has increased. While these reductions were restored this year and last, because the city has indicated that it calculated its enrollment PEG using these adjustments, these schools will likely soon feel the fiscal impact of their enrollment losses. This would be felt most acutely after 2024 when federal support, offsetting some of the reductions, ends. With students and educators still coping with the after effects of the Covid-19 pandemic, principals may be forced to make critical budgetary decisions on how to allocate their shrinking resources.

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Endnotes

¹The PEG savings increases slightly in each out-year, reaching \$559 million in 2026.

²Shapiro, E. (2021, October 29). *Enrollment in N.Y.C. Public Schools declined by 50,000 since the start of the pandemic*. The New York Times. Retrieved March 14, 2022, from <https://www.nytimes.com/2021/10/29/nyregion/nyc-schools-enrollment-covid.html>.

³Welch, W. (2022, January 14). *Education: Trends to Watch for the Future of NYC*. The City. Retrieved March 14, 2022, from <https://www.thecity.nyc/2022/1/14/22884556/education-future-of-nyc>; Zimmer, A. and Alex Zimmerman. (2022, February 17). *Home schooling Nearly Doubled in NYC Since Pandemic's Start*. Chalkbeat New York. Retrieved March 14, 2022, from <https://ny.chalkbeat.org/2022/2/17/22939962/nyc-homeschool-increase-covid>; Domanico, R. (2021, September 9). *New York's Changing Educational Marketplace*. City Journal - Manhattan Institute. Retrieved March 14, 2022, from <https://www.city-journal.org/whats-next-for-new-york-city-schools>.

⁴It is important to note that the coronavirus vaccine was not available for the youngest children at the beginning of the 2020-2021 school year, and formal education is not compulsory prior to first grade.

⁵Typically funds are actually removed and restored, with different allocations from the DOE budget.