

Summing Up the 2004 Budget; Looking Ahead in Education

by {ga=gpasanen}

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After several weeks of negotiations with Mayor Michael Bloomberg, the City Council adopted a \$43.7 billion budget for fiscal year 2004 on June 27. The final changes were relatively minor, as the mayor agreed to restore \$115 million in cuts, on top of the \$90 million he restored earlier in June. The New York Times' front-page news story on the agreement on June 26 reported that the new city budget "was remarkable not for how many services were cut, but how few." (The Times' story also quoted Gotham Gazette's [June finance column](#) , when I praised the mayor for a bold \$3 billion tax revenue package that minimized the cuts and "avoided a fiscal meltdown.")

Commentators were quick to point to likely future problems: the adopted budget itself says the city faces a \$1.8 billion deficit for fiscal year 2005, and the City Comptroller's May report and State Comptroller's June report on the mayor's executive budget projected a possible 2005 deficit of about \$3 billion. The comptrollers and other monitors will fine tune those projections in coming weeks, but the general fiscal outlook at the moment seems much more positive than a year ago, when the 2003 budget unraveled almost immediately after its adoption.

Looking ahead, however, one area -- city and state support for public education -- deserves special monitoring. The 2004 education-budget cuts, sold as modest and focusing on management changes, raise a number of questions about fairness and actual impact. Governor George Pataki's repeated attacks on state aid to schools and higher education, foiled in part by the state legislature, continue. For instance, in June the City University board of trustees, controlled by the governor, increased tuition by 25 percent in the city's four-year colleges. On the brighter side, there is good news for the city in the Campaign for Fiscal Equity's victory in the state-court decision that finds the state's education funding system unconstitutional. How the governor responds to the remedial order in that case will be the big education budget story in the next year.

Budget 2004

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The mayor's restoration of \$90 million in services and the council's additional \$115 million led to general relief among human service advocates.

The zoos were saved, 2,300 day-care slots were restored, and 11 child health clinics were saved. Current recycling was not only saved but will be expanded. Council favorites like the Vallone CUNY scholarship and infant mortality programs were restored. Libraries and cultural institutions and programs got substantial, but not full, restorations.

A full accounting of restorations and remaining cuts awaits analysis by the various monitors. What everybody knows now is that six firehouses closed by the mayor will not be re-opened -- a long-running story that apparently had more to do with bureaucratic and political positioning than saving money. What got much less publicity was the layoff of about 4,000 city workers, most of them paraprofessionals and school aides in the department of education. In addition, the extensive use of attrition will cost the city thousands of additional jobs. The New York Times' Eric Lipton pointed out that the police force will dip to 37,500 officers in the new fiscal year, down more than 3,000 from its peak three years ago.

Looking Ahead: Education

While there is already concern about the next fiscal year's (2005) budget deficit -- officially set at \$1.8 billion by the mayor and likely to rise quickly as various risks, especially new labor costs, are factored in -- there seems to be breathing room for the mayor and his agencies, at least to maintain existing services. If there is a major question mark about the impact of the new budget, it may be in public education. Not only did the department of education take an inequitable share of staff layoffs, its total dollar "savings" will be by far the largest among city agencies.

With the huge education budget now under the direct control of the mayor, there is some hope that its traditional bureaucratic walls will crack a bit and improve public understanding and

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influence. According to April's executive budget, education will represent approximately \$12 billion of the city's budget in 2004, about \$5 billion of it city money. (State aid is about \$5.8 billion and federal about \$1.3 billion.) The executive budget claimed that cumulative education savings for fiscal year 2004 from actions since January 1, 2002 could total \$983 million. Although reduced somewhat in the adopted budget, the original reduction plan represented nearly 20 percent of the city's share of education funding.

Trying to figure out how school services will be affected by nearly \$900 million in reduced city funding will be a huge challenge. The plan itself provides little detail. According to the April executive budget, decisions made before February 1, 2003, will produce such savings in 2004 as:

- \$66 million from administration reductions
- \$64 million from cost shifting to federal and state agencies
- \$96 million from cutting low-priority programs
- \$60 million from re-estimating salaries and enrollment
- \$35 million from better purchasing
- \$180 million from a per capita reduction to the schools

The post-February actions for 2004 -- part of the \$600 million contingency plan the mayor blamed the city labor unions for -- included cutting nearly 2,400 staff, most by layoffs, to save \$83 million. Other actions included cutting teacher sabbaticals (\$35 million) and more summer school cuts (\$13 million). (Another \$120 million in education cuts, part of the mayor's draconian \$1 billion contingency plan for 2004, were abandoned in the adopted budget.)

The dry language of these budget statements begs the issue in several cases about the actual impact of the actions. The loss of teacher aides, elimination of "low-priority" programs (teacher mentoring, summer school, summer camp), cuts in per capita spending, and the loss of professional development that goes with dropping teacher sabbaticals all seem to be potentially damaging.

Beyond doubts about the impacts of these budget actions is the larger question of the adequacy of current city spending. Certainly, there is little new spending in the 2004 education budget. The new required curriculum will cost \$20 million, a new system for disruptive students nearly \$6 million, and a class-reduction effort in the middle schools \$14 million, according to the Independent Budget Office's March 2003 report on the preliminary budget for 2004.

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Looking further ahead, the Independent Budget Office's May analysis of the executive budget shows education spending almost flat between 2003 and 2007, averaging only 0.2 percent annual growth, well below anticipated rates of inflation. This is alarming in the context of the 1990s: a January 2001 IBO study of education spending in the 1990s showed that real (adjusted for inflation) spending per pupil declined steadily throughout the Dinkins and first Giuliani terms (1990-1997), and had only regained the 1990 level in the 2000 fiscal year.

A New \$3.3 Billion Question

Given the current cuts in education spending and anticipated flat spending for years ahead, the June decision of New York State's highest court in the 10-year-old Campaign for Fiscal Equity case is especially timely. The campaign argued that the state's education-funding system was unconstitutional and that it under-funded New York City schools. The court agreed.

As reported by in Gotham Gazette's [education topic page](#), the court's remedial order requires the state by July 30, 2004 to 1) determine the actual cost of providing a sound basic education, 2) reform the state funding system to ensure adequate funds for every city school, and 3) establish an effective accountability system to make sure the reform works. This is obviously a tall order and one that no doubt will affect many other, if not all, state school districts in any implementation plan. (For an excellent essay on this likelihood, see William Hammond's column in the New York Sun, June 30, 2003.)

The Independent Budget Office, at the request of Councilmember David Yassky, has twice done an analysis of what a resolution of the Campaign for Fiscal Equity case might cost, using a State Education Department model (from an unreleased Department study) to determine educational adequacy. As IBO deputy director George Sweeting testified on their most recent analysis, on September 23, 2002 before the City Council, with adjustments for higher costs and greater needs in New York City, the spending difference between the city's public schools and

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those in the [state's] high-performing districts [is] \$3,029 per pupil. With the city system's enrollment of 1.1 million students, IBO concludes that equalizing the city's spending with the level in [those] districts would require \$3.3 billion.

The scope of a \$3.3 billion equity goal underscores the marginal, patchwork actions in the city's current education budget. Until the state comes up with funding at this kind of scale, the city will be playing catch-up in education budgeting. (There is at least some chance that the city itself may be required to increase its efforts as well.)

The CUNY Case

Offsetting the good news in the Campaign for Fiscal Equity case, the CUNY board of trustees on June 23 raised tuition for students in the four-year colleges of CUNY by \$800, or 25 percent. The move followed Governor Pataki's huge cut in state aid to the state and city universities and the state legislatures' decision not to restore the cuts.

This is significant, first, because it threatens to push many lower-income, minority students out of CUNY. (Full-time students who are income-eligible can receive Tuition Assistance Program grants, but the protections for tens of thousands of part-timers are much less. See [testimony](#) by the Professional Staff Congress for more detail) It is also significant because it shows again how little the governor believes in public education, an ominous sign in terms of the Campaign for Fiscal Equity case. (The recent restoration of most of the governor's proposed major cuts to city elementary and high schools was done by the state legislature, not the governor.)

The City University of New York decision is also another reminder of the conflicts in the Pataki-Bloomberg relationship. The university's board of trustees, for instance, is not, as one might expect, city run. The board is made up of 17 members, two of them ex-officio, representing students and faculty, respectively. Of the 15 appointed members, the chairperson

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and nine other members are appointed by the governor. The mayor appoints the other five members. Currently three of the five mayoral members are left-over Rudy Giuliani appointees (including former deputy mayors Joe Lohta and Randy Mastro). The mayor seems powerless in this context.

So as the new fiscal year begins, there is, first, a good chance that the mayor's strong stand on promoting tax revenues to minimize service cuts will stabilize the city's fiscal condition, at least for the near future. And secondly, there is now, with the state court's decision on state education funding, an opportunity for the mayor to show similar strength -- by pushing the governor and state legislature to do the right thing for public education in New York City.

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