



IESP POLICY BRIEF

Financing Public Education in New York City and the Rest of the State

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Introduction

New York City (NYC) is home to the largest school district in the U.S., with over one million students and more than 1,600 schools. While it is only one of approximately seven hundred school districts in New York State (NYS), the city educates about one-third of the state's students. In recent work examining school finance during Mayor Bloomberg's first two terms, Stiefel and Schwartz (2011) compared NYC's funding sources with those for the rest of the state in entirety.¹ The NYS statistics presented in that chapter were, therefore, averages for all other school districts in the state - including the fiscally-stressed "Big Four" (Buffalo, Rochester, Syracuse and Yonkers), rural districts with their own, unique challenges, and relatively wealthy suburban districts. This brief builds upon that research – describing the changes in revenues for the city, other large urban districts, wealthy downstate counties surrounding NYC, and the

Key Findings

- Between 1996 and 2008, New York City's inflation adjusted total revenues per pupil grew over \$8,200. In the rest of the state, total revenues per pupil grew by roughly \$4,800.
- Despite beginning the period below the state average, by 2008 NYC received roughly \$700 more in per pupil total revenues than other districts in New York State
- Although receiving slightly less than NYC in per pupil total revenues, the other "Big Four" (Buffalo, Rochester, Syracuse and Yonkers) also receive more relative to the rest of the state.
- The Big Four report higher per pupil revenues from state sources relative to NYC and the rest of the state.
- Wealthy downstate suburban counties receive the most in per pupil revenues - predominantly from local sources.

¹ See, Leanna Stiefel and Amy Ellen Schwartz (2011). "Financing K-12 Education in the Bloomberg Years, 2002-2008" in Jennifer A. O'Day, Catherine S. Bitter and Louis M. Gomez (Eds.), *Education Reform in New York City: Ambitious Change in the Nation's Most Complex School System* (pp. 55-84). Cambridge MA: Harvard Education Press.

rest of the state. The extent to which the inclusion or exclusion of these districts influence the amounts received by other districts in state is an interesting question that is beyond the scope of this work. We would, of course, welcome additional research on this topic.

The following analysis uses revenue data from the New York State Education Department's (NYSED) annual fiscal profiles to compare the educational resources available to NYC relative to other districts in New York State and probe the differences in greater detail. Specifically, we examine the change in total revenue, total state revenue, local revenue, and total expenditures excluding debt service and transportation expenses for New York City, the other Big Four, two wealthy downstate counties (Westchester and Nassau), and the remaining schools districts in New York State. All revenues are inflated to 2008 dollars using the Consumer Price Index (CPI) and districts are weighted by their enrollment to reflect differences in size.

Financing Education in New York State

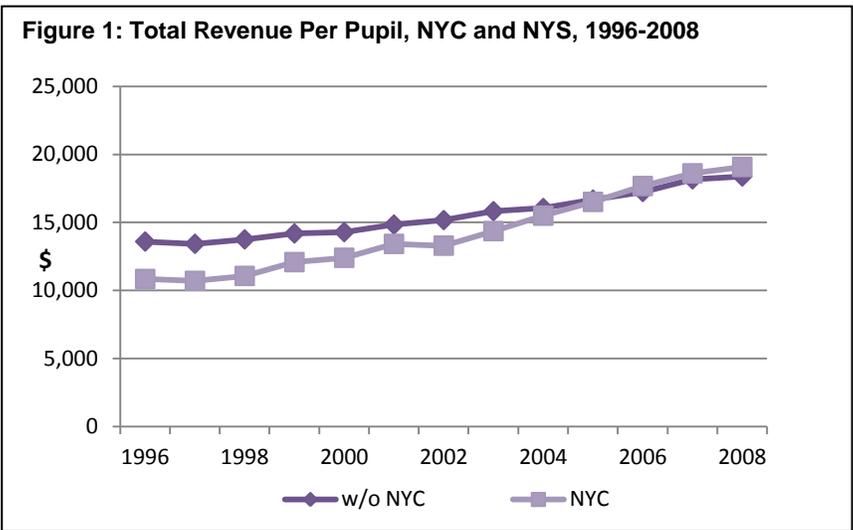
As in other states, public education in New York is financed through a combination of federal, state, and local revenues, with additional support from philanthropic sources. In general, states in the northeast region of the country rely less on federal funding – due in part to the federal reliance on poverty-based funding formulae and the relative wealth of the region – and NYS is no exception. In 2008, federal sources accounted for only \$2.6 billion of the state's \$52.1 billion elementary and secondary total revenues. While state support comprises a larger share (\$23.6 billion in 2008), it currently accounts for less than 45 percent of total per pupil revenues. Further, while total per pupil revenue has steadily increased over the past decades, the growth in state revenues has been variable, leaving local (and to a lesser extent federal) revenues to compensate. Revenues from local and other sources totaled \$26 billion in 2008.

Total Revenue

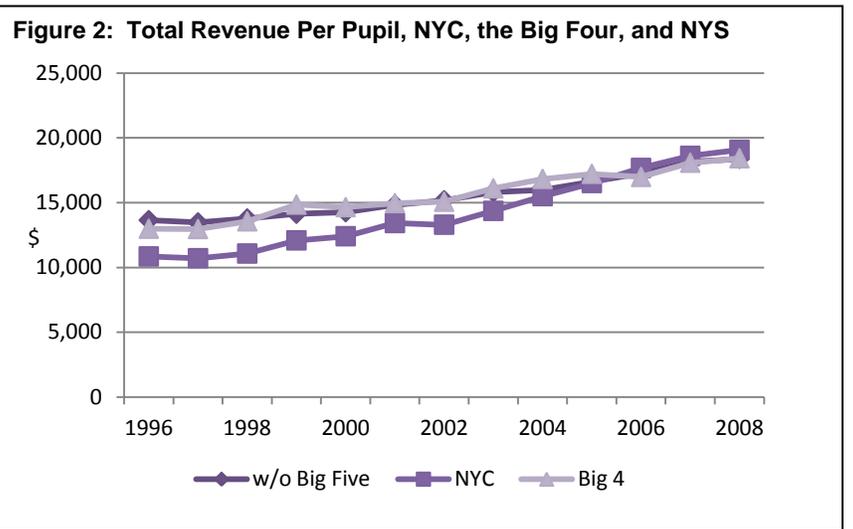
How does NYC compare to the rest of the state? While aggregate numbers do not account for differences in enrollments, they are nonetheless illustrative. In 2008, NYC's total revenues for education totaled \$19.5 billion, representing an \$11.4 billion increase from 1996. In the rest of the state, aggregate revenues increased by \$15.5 billion, from \$17.1 billion in 1996 to \$32.6 billion in 2008. To more precisely examine changes in available resources, however, we focus the remainder of our analysis on patterns of per pupil revenues available to NYC and the rest of NYS's districts since 1996.²

² We define pupil numbers using the Duplicated Combined Adjusted Average Daily Membership (DCAADM) reported by the NYSED, which states this count best captures the number of students receiving their education at district expense.

Compared to other NYS districts, NYC saw less in total revenues per pupil until 2006, when it received \$17,672 in total revenues per pupil versus \$17,237 in the rest of the state. In 2005, the other districts in NYS received \$16,671 compared to NYC's \$16,508. By the end of the period, NYC received roughly \$700 more pupil (\$19,075 compared to \$18,374). Finally, using regression analysis estimating growth rates in total revenues per pupil, Stiefel and Schwartz (2011) find the growth in total revenues was faster for NYC both before and after 2002, although the disparity was smaller in the later period.³

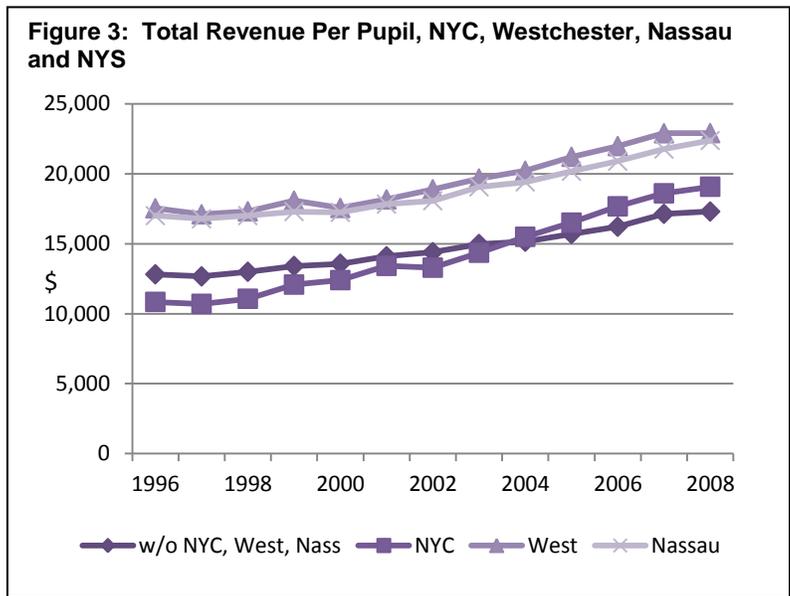


Removing the Big Four from the aggregate state statistics does not change this finding. As shown below, in 2005, NYC received \$16,508 in total revenues per pupil compared to \$17,221 for the Big Four and \$16,630 in the rest of the state. By 2006, however, NYC surpassed both the Big Four (\$16,982) and the other districts in the state (\$17,257) receiving \$17,672 in inflation adjusted total revenues per pupil.



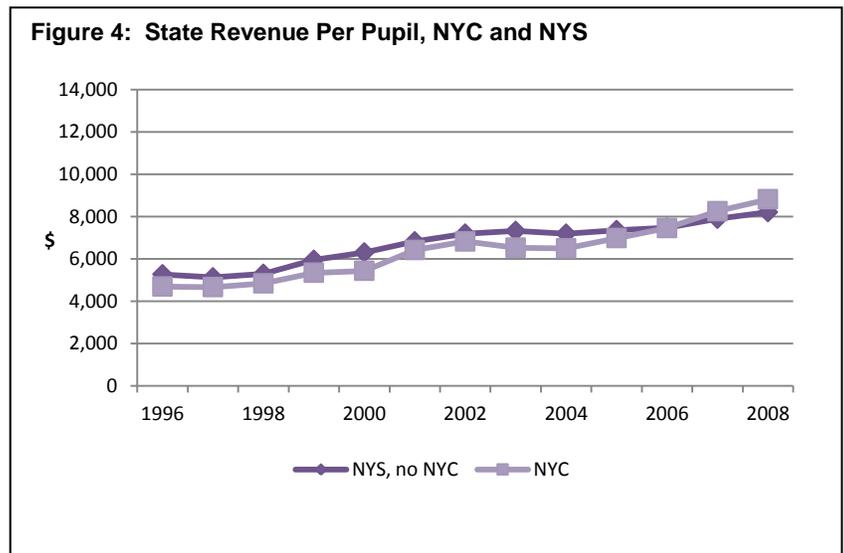
³ This analysis showed that the differences in growth rates between NYC and the rest of the state are statistically significant. While not presented here, these results are available upon request from the authors.

The results differ somewhat after separating out Westchester and Nassau counties, both of which receive three to four thousand dollars more per pupil than the rest of the state and NYC throughout the observed time period. When excluding districts in these wealthy downstate counties, NYC passes other districts in the state in 2004, receiving \$15,495 in total revenues per pupil compared to \$15,146 in the rest of the state. Westchester and Nassau counties received \$20,216 and \$19,418 respectively in that year.



Total State Revenue⁴

Compared to other districts in NYS, NYC received less revenue from state sources prior to 2007 when the city received \$8,253 per pupil compared to \$7,896 in other districts. (In 2006, state revenues per pupil were nearly identical for the two groups – other NYS districts received \$7,475 and NYC received \$7,457.) In our earlier work, we found the city’s revenue from state sources grew at about the same rate as the rest of the state prior to 2002, but grew considerably faster afterward.⁵

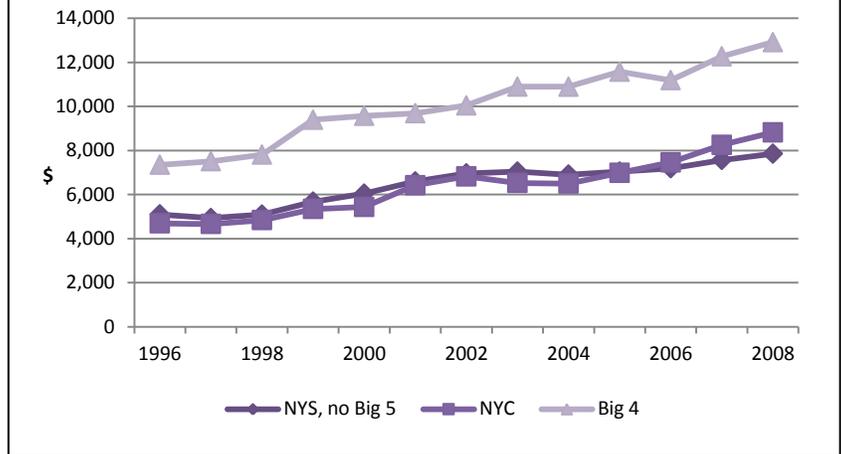


⁴ Total state revenue includes School Tax Relief Program (STAR) beginning in 1998-99.

⁵ Again, regression analysis showed the differences are statistically significant. Results are available upon request from the authors.

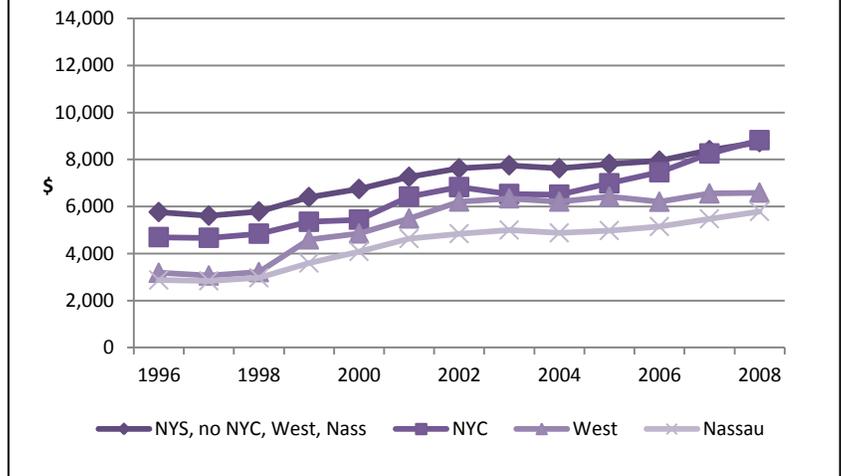
Separating the Big Four – all of which are extremely fiscally stressed – from the rest of the state shows these urban districts receive vast amounts of state revenues compared to NYC and other NYS school districts. On average, the Big Four began the period with more than \$2,200 per pupil compared to the rest of the state (\$7,355 versus \$5,101) – a gap that more than doubled by 2008 (\$12,915 versus \$7,854). NYC receives slightly less in state revenues per pupil than other districts in NYS up until 2006; however, the dollar disparities are smaller than those presented above and the city’s dollars track the state’s.

Figure 5: State Revenue Per Pupil, NYC, the Big Four, and NYS



While the Big Four receive more in state revenue than NYC or other districts, Westchester and Nassau counties receive significantly less. When we remove districts in these counties from the state average, NYC does not surpass the rest of the state in state revenues per pupil until 2008 (\$8,820 versus \$8,736). In contrast to the Big Four, Westchester and Nassau counties receive roughly two to three thousand dollars less in state revenues per pupil compared to the state average.

Figure 6: State Revenue Per Pupil, NYC, Westchester, Nassau, NYS



(Westchester County began the period with \$3,180 in state revenue per pupil; increasing to \$6,589 by 2008. Similarly, Nassau County received \$2,870 per pupil in 1996, rising to \$5,785 in 2008.)

Local revenue

While NYC remains below the state average in local revenue per pupil, the city does appear to be closing the gap – particularly since 2003. In 2008, other districts in NYS received \$9,537 on average in local revenue per pupil. NYC received \$8,872.⁶

Largely financed through state revenue, the Big Four receive little money from local sources – and over the observed time period actually received less in inflation adjusted dollars (\$4,716 per pupil in 1996 and \$3,875 in 2008).⁷ Separating these districts from the rest of the state widens the gap between NYC and other districts in the state, although not significantly (the average local revenues per pupil for other state districts increase by three to four hundred dollars compared to the amounts shown above).

Westchester and Nassau counties, conversely, are heavily financed through local revenues. Both receive roughly \$14,000 per pupil in local revenues in 1996 and end the period receiving roughly \$16,000 per pupil (\$15,713 for districts in Westchester county and \$16,185 for districts in Nassau county). When excluding these counties, NYC actually passes the state average in 2004 (\$7,465 per pupil

Figure 7: Local Revenue Per Pupil, NYC and NYS

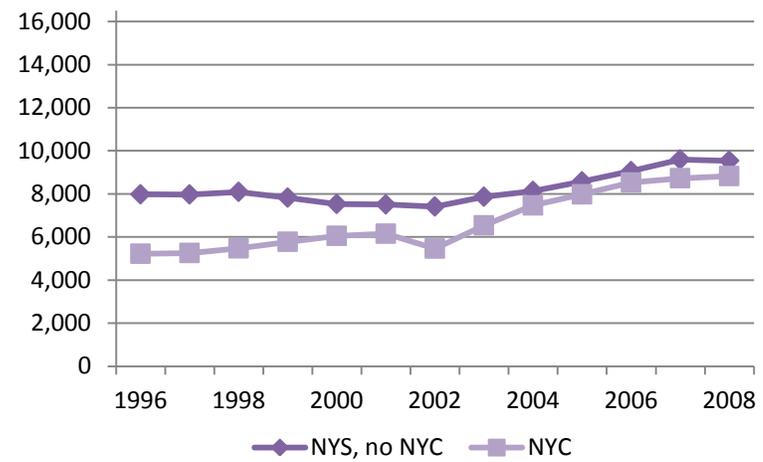


Figure 8: Local Revenue Per Pupil, NYC, the Big Four, and NYS

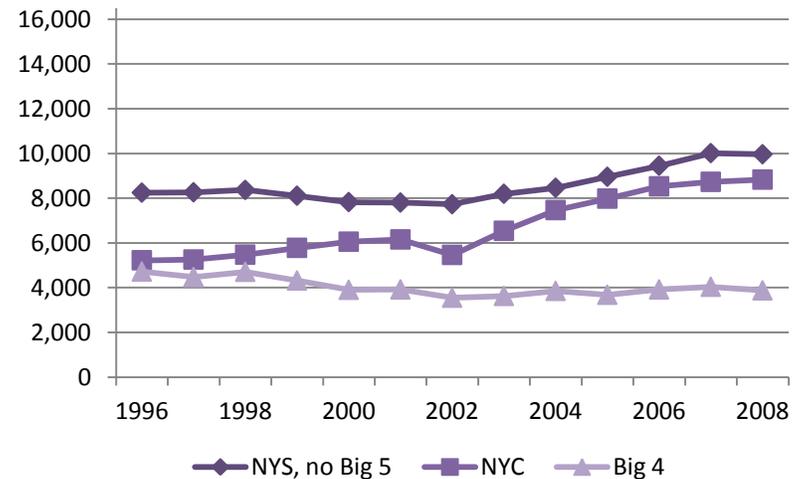
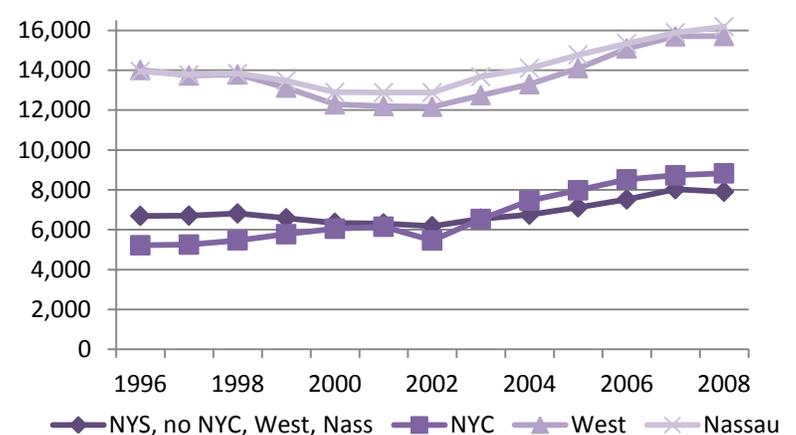


Figure 9: Local Revenue Per Pupil, NYC, Westchester, Nassau, and NYS



⁶ Regression analysis shows per pupil local revenue in NYC grew more rapidly than the state prior to 2002 and at the same rate afterward. Results available upon request.

⁷ In part, the lower share of local revenue seen for the Big Four and NYC may be related to municipal overburden, whereby local tax bases are insufficient to cover the costs of providing public services in urban areas with large high-need populations.

versus \$6,754) and receives more in local revenue per pupil for the remainder of the observed time period.

Total Expenditures Excluding Debt Service and Transportation Expenses

In addition to information on revenues and revenue sources, the NYSED fiscal data also reports expenditure data. To gain insight in changes in instructional expenditures, we analyze the trend in total expenditures excluding debt service payments and transportation expenses. Using this metric, we see NYC passes the other districts in the state in 2003 (\$14,093 versus \$13,833 per pupil), dips slightly below in 2004 (\$14,097 versus \$14,110 per pupil), and remains consistently above beginning in 2005 (\$14,960 versus \$14,686 per pupil).

When separating the Big Four, we find NYC again rises above the rest of the state in 2003 (now remaining above throughout the period) and surpasses the Big Four in 2005 spending \$14,960 per pupil compared to \$14,870 in the Big Four districts. The Big Four pass the state average earlier (in 1999 spending \$12,914 per pupil versus the state's \$12,547) and remain slightly above the rest of the state until 2006.

Unsurprisingly, removing Westchester and Nassau counties decreases the average expenditure per pupil for the rest of the state's districts. Here we see NYC passes the state average in 2001 (\$12,874 versus \$12,280 per pupil).

Figure 10: Total Expenditures Per Pupil Excluding Debt Service and Transportation, NYC and NYS

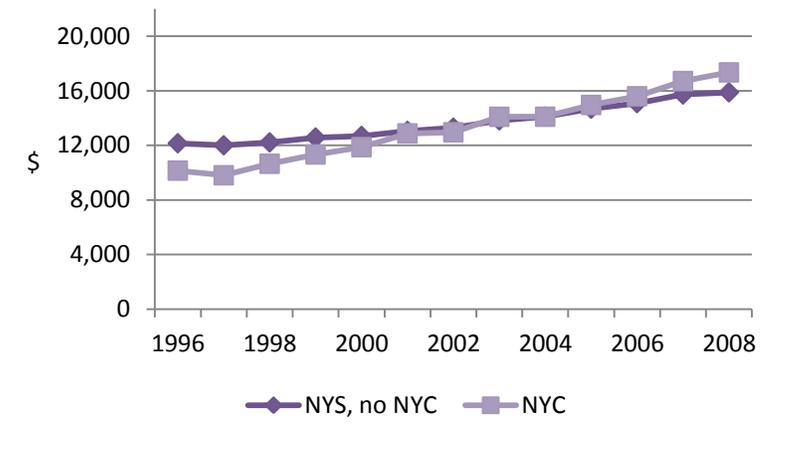


Figure 11: Total Expenditures Per Pupil Excluding Debt Service and Transportation, NYC, the Big Four and NYS

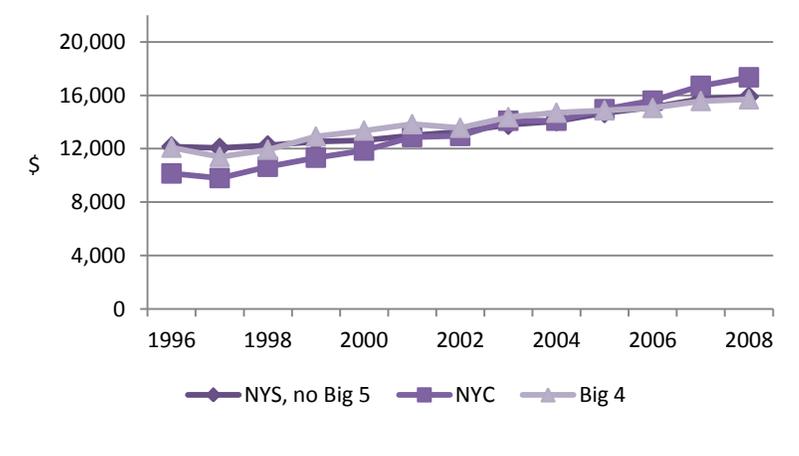
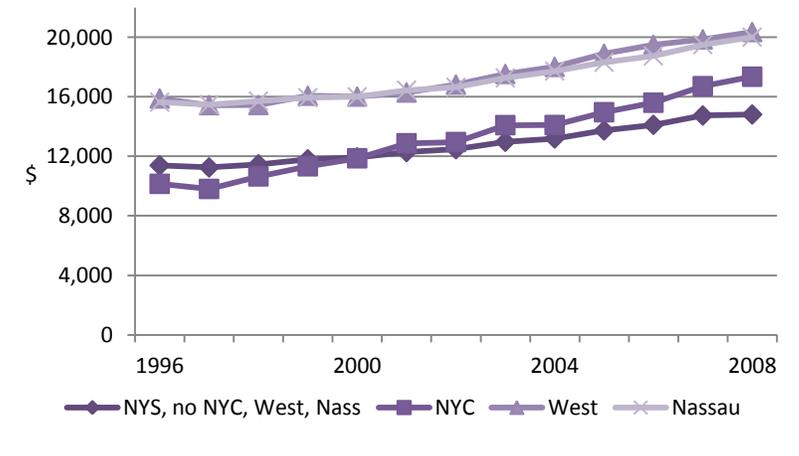


Figure 12: Total Expenditures Per Pupil Excluding Debt Service and Transportation, NYC, Westchester, Nassau and NYS



Summary

In sum, as of 2008 New York City received roughly \$700 more in per pupil total revenues than other districts in NYS. The city's total revenues also surpassed that of the other Big Four, although NYC did receive fewer funds from state sources. Further, while school districts in Westchester and Nassau counties reported the largest amounts of total revenues per pupil, these funds were largely comprised of local dollars.

Looking forward, there are significant budgetary challenges facing the NYS legislature and it is unlikely NYC or other school districts will see large inflows of financial resources. Stiefel and Schwartz (2011) note that budget cuts at the state level are likely, as increasing public awareness and concern make it doubtful that state will continue to operate with a structural deficit and the already high tax rates make increasing the tax burden unpopular politically.⁸ While local revenues in NYC are below the state average, it is unclear whether these will continue to increase, whether they will grow rapidly enough to meet rising costs, and whether they will be spent on education or other public services.

⁸ NYS Gov. Cuomo's proposed \$132.9 billion budget would cut planned spending on local school aid by \$2.85 billion – a reduction of \$1.54 billion for the coming academic year. (Nicholas Confessore and Thomas Kaplan (2011, Feb. 1). With Cuts, Cuomo Offers Shrunken Budget. *The New York Times*. Accessed at: <http://www.nytimes.com/2011/02/02/nyregion/02budget.html?nl=nyregion&emc=ura1>

Appendix

Table A-1: Total Revenue Per Pupil, 2008 CPI Inflated

	New York State			"Big Five" cities		Downstate counties	
	w/o NYC	w/o Big Five	w/o NYC, West, Nass	NYC	Big 4	Westchester	Nassau
1996	13,593	13,643	12,816	10,841	12,982	17,534	17,010
1997	13,428	13,466	12,666	10,702	12,957	17,105	16,783
1998	13,751	13,767	12,996	11,066	13,550	17,318	17,009
1999	14,189	14,137	13,412	12,081	14,846	18,080	17,297
2000	14,285	14,256	13,571	12,401	14,647	17,559	17,241
2001	14,838	14,828	14,103	13,420	14,957	18,169	17,830
2002	15,169	15,178	14,397	13,290	15,063	18,891	18,074
2003	15,824	15,803	14,980	14,360	16,099	19,663	19,066
2004	16,051	15,991	15,146	15,495	16,829	20,216	19,418
2005	16,671	16,630	15,701	16,508	17,221	21,215	20,179
2006	17,237	17,257	16,216	17,672	16,982	21,984	20,898
2007	18,165	18,172	17,140	18,606	18,077	22,900	21,770
2008	18,374	18,371	17,306	19,075	18,421	22,909	22,379

Table A-2: Total State Revenue Per Pupil, 2008 CPI Inflated

	New York State			"Big Five" cities		Downstate counties	
	w/o NYC	w/o Big Five	w/o NYC, West, Nass	NYC	Big 4	Westchester	Nassau
1996	5,271	5,101	5,760	4,695	7,355	3,180	2,870
1997	5,127	4,931	5,608	4,667	7,512	3,063	2,836
1998	5,293	5,090	5,790	4,842	7,813	3,209	2,965
1999	5,954	5,679	6,398	5,348	9,394	4,600	3,592
2000	6,303	6,041	6,745	5,439	9,572	4,853	4,084
2001	6,828	6,595	7,261	6,420	9,692	5,490	4,636
2002	7,192	6,961	7,621	6,822	10,043	6,209	4,843
2003	7,320	7,044	7,750	6,530	10,898	6,345	5,000
2004	7,191	6,907	7,626	6,499	10,893	6,206	4,876
2005	7,362	7,043	7,806	6,985	11,574	6,416	4,975
2006	7,475	7,193	7,948	7,457	11,192	6,200	5,146
2007	7,896	7,568	8,394	8,253	12,273	6,554	5,474
2008	8,207	7,854	8,736	8,820	12,915	6,589	5,785

Table A-3: Local Revenue Per Pupil, 2008 CPI Inflated

	New York State			"Big Five" cities		Downstate counties	
	w/o NYC	w/o Big Five	w/o NYC, West, Nass	NYC	Big 4	Westchester	Nassau
1996	7,978	8,245	6,694	5,221	4,716	14,009	13,942
1997	7,974	8,261	6,709	5,254	4,472	13,732	13,770
1998	8,093	8,366	6,817	5,471	4,704	13,787	13,834
1999	7,826	8,107	6,576	5,775	4,316	13,125	13,475
2000	7,532	7,823	6,348	6,051	3,900	12,284	12,894
2001	7,509	7,801	6,314	6,151	3,918	12,201	12,879
2002	7,412	7,726	6,178	5,460	3,547	12,164	12,880
2003	7,867	8,194	6,552	6,538	3,626	12,742	13,674
2004	8,135	8,463	6,754	7,465	3,851	13,297	14,094
2005	8,581	8,952	7,120	7,977	3,677	14,102	14,765
2006	9,057	9,447	7,519	8,526	3,917	15,089	15,338
2007	9,596	10,012	8,031	8,727	4,037	15,698	15,879
2008	9,537	9,962	7,905	8,827	3,875	15,713	16,185

Table A-4: Total Expenditures Per Pupil excluding Debt Service and Transportation Expenses, 2008 CPI Inflated

	New York State			"Big Five" cities		Downstate counties	
	w/o NYC	w/o Big Five	w/o NYC, West, Nass	NYC	Big 4	Westchester	Nassau
1996	12,153	12,159	11,384	10,147	12,079	15,884	15,642
1997	12,005	12,055	11,250	9,804	11,395	15,435	15,470
1998	12,216	12,239	11,460	10,648	11,926	15,447	15,712
1999	12,574	12,547	11,798	11,327	12,914	16,068	15,939
2000	12,693	12,640	11,926	11,864	13,357	16,012	16,000
2001	13,060	12,996	12,280	12,874	13,839	16,284	16,447
2002	13,292	13,269	12,475	12,956	13,570	16,818	16,643
2003	13,833	13,792	12,975	14,093	14,366	17,536	17,265
2004	14,110	14,065	13,196	14,097	14,698	18,009	17,729
2005	14,686	14,672	13,732	14,960	14,870	18,892	18,316
2006	15,095	15,099	14,111	15,597	15,053	19,496	18,741
2007	15,728	15,739	14,740	16,708	15,573	19,859	19,501
2008	15,887	15,901	14,809	17,346	15,701	20,352	20,007

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