



THE CITY OF NEW YORK  
INDEPENDENT BUDGET OFFICE

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October 20, 2010

The Honorable James S. Oddo  
New York City Council  
94 Lincoln Avenue  
Staten Island, NY 10306

Dear Councilmember Oddo:

You asked the Independent Budget Office to estimate how much the school system would spend if all private and parochial students joined the public school system or, conversely, how much does the public school system save by not having to educate these students. Private and parochial school K-12 student enrollment in the city in the 2010 school year was just under 250,000 students. Public school general education enrollment for the same period was roughly 870,000 students. Clearly, private education is a significant presence in the city. The availability of private schooling options certainly has a fiscal benefit for the city but there are too many unknowns to answer your question with precision. Simply put, we cannot know what might happen if the city's private schools were to close.

We can imagine a range of responses, each of which would have different impacts on the city's budget. For example, if new private schools were to open up to replace the old—perhaps re-using the old facilities—so that enrollment in traditional public schools was largely unchanged, the city's budget would see little impact. If families that had been using private schools were to leave the city were the private school option unavailable, the per capita public school spending might not change, but city revenues would likely suffer. If the public school system were to absorb all of the formerly private school students, and the city and state were unable to increase the public school system's funding, the city's costs would not rise, but the amount spent on each child would decline. Finally, if economic and political conditions allowed the city and state to fund the school system at the current rate per child for every formerly private school student, the impact on the city's budget would be large. Of course, the reality is that the outcome would be somewhere between these extremes.

To give some sense of the magnitude of the dollars involved, we looked at city funding and state operating aid spent on general education classes in grades K-12. Federal and other categorical aid was not included. Special education students and spending were removed from the calculations because special education spending depends on the level of service being given and varies greatly from student to student.

IBO estimates that in fiscal year 2010, general education spending in the public system averaged \$16,542 per student, including debt service and pension costs covered outside the DOE budget. If all private and parochial K-12 general education students had entered the public school system and if the system were forced to simply absorb these students without an immediate influx of new funding, per student spending would have fallen by \$2,598, a 16 percent decline. At the other extreme, if the city had been able and willing to fund the system at the same level per student, the total growth in spending associated with absorbing all private school students would have been over \$4.1 billion. Neither of these extreme outcomes would have occurred, of course, and the ultimate cost would lie somewhere in-between.

Moreover, the cost of adding one additional student to the system (the marginal cost) is less than the average cost of a student. This is because one additional student has almost no effect on some large fixed costs in the system such as debt service, central administration, and even school-level supervision. Thus, the budgetary impact of moving some or all current private school students to the DOE will be less than the result of simply multiplying the number of new students by the average cost of a general education student, but precisely how much less would depend on such factors as the number of students involved and which schools they would attend.

The attachment shows in detail the calculations used to estimate the 2010 tax levy support for general education on a per capita basis and the effect additional private and parochial students would have on spending.

Please do not hesitate to call on us if we can provide any further assistance in this or other matters.

Sincerely,

Ronnie Lowenstein

<b>Per Capita Support at Traditional Public Schools</b>	<b>2010 School Year</b>
<b>General Education Spending (\$000)</b>	
Total Department of Education	\$ 18,501,502
Less All Categorical Programs <sup>1</sup>	(2,315,467)
Less Special Education Spending <sup>2</sup>	(2,398,499)
Less All Non-public School Payments <sup>3</sup>	(1,883,693)
Less Fringe Benefits for Categorical Programs <sup>4</sup>	(396,358)
Less Fringe Benefits for Special Education Programs <sup>4</sup>	(488,658)
Tax Levy Funded Universal PreKindergarten Spending	(29,626)
<b>Subtotal DOE General Education Support</b>	<b>10,989,201</b>
Debt Service for DOE <sup>5</sup>	1,481,943
Pensions for DOE Staff	2,446,260
<b>Total Support for DOE General Education Spending</b>	<b>14,917,404</b>
 <b>Enrollment</b>	
Total Students Department of Education	1,098,977
Less Pre-Kindergarten (General Education)	(22,673)
Less Charter Enrollment	(30,519)
Less Non-Public School Enrollment	(71,480)
<b>Subtotal: Traditional Public School Enrollment</b>	<b>974,305</b>
Less Special Ed Enrollment	(105,627)
<b>Traditional Public School General Education Enrollment</b>	<b>868,678</b>
 <b>Per Capita General Education Spending</b>	
Dept. of Education General Education Spending	\$12,650
Per Capita Debt Service for Education From City Budget <sup>6</sup>	1,457
Per Capita Pension Costs for Education From City Budget <sup>7</sup>	2,435
<b>Total Per Capita General Education Spending</b>	<b>\$16,542</b>
 <b>Private/Parochial School Effect</b>	
<b>Enrollment</b>	
Traditional Public School General Education Enrollment	868,678
Plus Private/Parochial Enrollment	224,548
<b>Public/Private/Parochial School Enrollment</b>	<b>1,093,226</b>
 <b>Per Capita Spending Including Private Enrollment</b>	
Dept. Education Spending	\$10,052
Per Capita Debt Service for Education From City Budget <sup>6</sup>	1,457
Per Capita Pension Costs for Education From City Budget <sup>7</sup>	2,435
<b>New Per Capita Education Spending</b>	<b>\$13,943</b>
Spending Differential	(\$2,598)

SOURCES: IBO, NYC Dept. of Education, NYC OMB

NOTES:

1. Units of appropriation 481 and 482.
2. Units of appropriation 403, 404, 421, 422, 423, and 424 other than School Based Assessment Staff, plus special education administration in 414 and 415.
3. Units of appropriation 470, 472, and 474, which includes special education pre-k, contract schools, other non-public schools, charter schools, and FIT.
4. Fringe costs were prorated based on the share of personal services costs associated with special education, and categorical programs.
5. Includes General Obligation, Transitional Finance Authority, and Building Aid Revenue Bonds.
6. Debt service per capita based on Total DOE enrollment minus non-public school enrollment and 30 percent of charter enrollment.
7. Pension per capita based on Total DOE enrollment minus pre-kindergarten and non-public school enrollment.