



INSIDE THE BUDGET

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Judgement and Claims Update:
**Large Settlement
May Mean
Additional Costs**

In its January 3, 2001 newsfax, IBO discussed the escalating costs for resolving lawsuits against the city. Since then the city has made a provisional agreement to settle a class-action civil rights lawsuit that could ultimately result in a liability of as much as \$50 million. Although the city has budgeted more than \$460 million for this fiscal year and again in 2002 for settlements, these amounts will likely grow if this new settlement is finalized.

The lawsuit challenged the city Department of Correction's (DOC) policy of strip-searching individuals arrested for minor offenses in Manhattan and Queens. Despite a 1986 federal appeals court ruling barring such actions unless there was reasonable suspicion that weapons or contraband were concealed, DOC strip-searched some 50,000 misdemeanor detainees over a 10-month period in 1996-1997. Under the provisional agreement individuals could receive payments ranging from \$250 to \$22,500 based on circumstances surrounding the strip-search and on emotional suffering.

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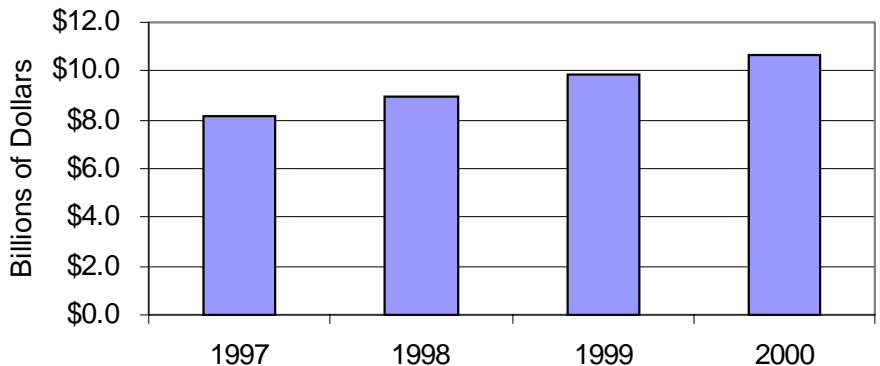
City Spending on Schools Rising: Where the Funding Comes From, and Where it Goes

Determining how much it costs to provide the city's public school students with a quality education is a perennial issue in New York City. In the wake of the court ruling earlier this month overturning New York State's system for school aid, this discussion has gained additional momentum. While the answer to how much is enough is subject to debate, one thing is clear: spending on New York City's public schools has climbed sharply over the past three years.

Public school funding has increased by \$2.5 billion since 1997, according to the City Comptroller's annual reports and financial data from the Board of Education (BOE). The \$10.6 billion spent in fiscal year 2000 (school year 1999 to 2000) represents a 31 percent increase over the \$8.1 billion spent three years earlier. Overall BOE spending was even higher because of pass-through funding to non-public schools for transportation, textbooks and special education. In 2000, BOE spent an estimated \$678 million for these costs at private and parochial schools.

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**BOE Funding for Public Schools Rising
Sharply, FY 1997-2000**



NOTE: Funds committed to public schools include the BOE operating budget plus debt service, additional pension contributions and intracity transfers, but do not include pass throughs to non-public schools.

Rising School Spending

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The large increases in 1998, 1999, and 2000 were due to boosts from all major funding sources: city, state and federal. Of the three sources, the city increased its contribution the most rapidly. The city's share of BOE's operating budget rose from 40.0 percent in 1997 to 43.7 percent in 2000—slightly higher than at any time during the 1990s. Over the same four-year period, the state share fell from 48.4 percent in 1997 to 45.2 percent in 2000, and the federal share from 11.5 percent to 10.9 percent.

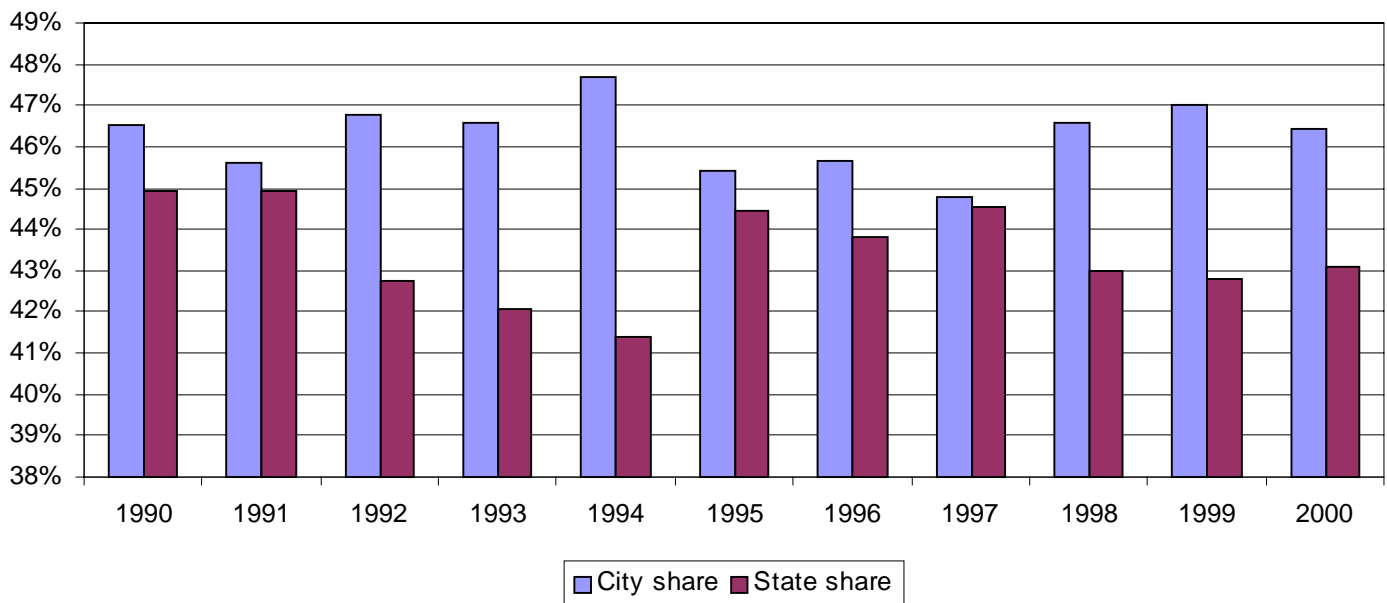
BOE's operating budget covers most education expenditures such as salaries, books and other supplies; contracts for transportation and instructional support services; food; school safety; building maintenance and utilities. It also includes funds committed to non-public schools, fringe benefits for all employees and pension contributions for the roughly one-sixth of BOE employees who are paid with categorical grants. In 2000, BOE's operating budget for the first time also contained \$195 million allocated to pay-as-you-go capital projects.

Not included in the BOE operating budget are two types of additional expenditures that are almost entirely funded by the city: debt service and pension contributions for the majority of school employees. When these expenditures are added the city's share of total funds committed to BOE was 46.5 percent in 2000, up from 44.8 percent in 1997, and about the same as the 46.4 percent share in 1990.

Another way of considering the amount of spending on schools is by looking at expenditure per pupil adjusted for inflation. Measured in constant 2000 dollars, BOE's per pupil spending from its operating budget declined from \$9,727 in 1990 to \$8,362 in 1997. This decline occurred during a period when annual enrollment growth averaged almost 20,000 pupils per year. From 1997 to 2000—years marked by slower enrollment growth and a rising BOE budget—real per pupil spending increased by an average of 5.8 percent per year, reaching \$9,896 in 2000. Adding debt service and the bulk of pension contributions raises

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**City and State Shares of Total Funds
Committed to BOE, FY 1990-2000**



NOTES: Total funds committed to BOE include the BOE operating budget plus debt service, additional pension contributions and intracity transfers.

City-funded pension contributions were markedly lower in 2000 than in previous years due to actuarial changes made possible by several years of strong investment returns.

Rising School Spending

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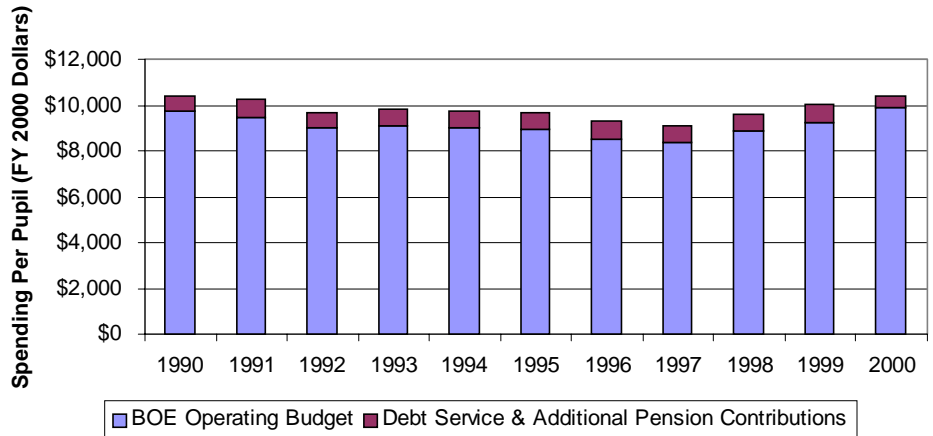
the 2000 total to \$10,393 per pupil.

The most important factor behind the recent growth in real per pupil spending has been the hiring of thousands of teachers and other instructional personnel. Pedagogic headcount rose from 80,900 positions in 1997 to 92,700 in 2000.

A table with detailed data on Board of Education expenditures from 1990 to 2000, including sources and backup for the calculations presented in this article, is available on IBO's Web site, www.ibo.nyc.ny.us.

For further information about education funding, contact Robert Weiner, senior budget and policy analyst, at (212) 442-0332 or by email at robertw@ibo.nyc.ny.us.

**Expenditures Per Pupil Adjusted for Inflation,
FY 1990-2000**



NOTES: Spending in FY 2000 dollars adjusted for inflation based on NY state and local government output, US Bureau of Economic Analysis (September 2000) and Economy.com (December 2000).

Per pupil calculations based on adjusted total enrollment. Universal prekindergarten pupils weighted as 0.5 because most attend half-day sessions.

Judgement and Claims Update

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Payments to resolve lawsuits against the city for property damage, personal injury, civil rights and other legal claims have more than doubled over the past decade—growing from \$176 million in 1990 to \$472 million in 2000. The rising cost is due mainly to an increase in personal injury settlements and judgements against the city.

Looking more specifically at civil rights cases such as the strip-search lawsuit, the number of judgements and settlements has quadrupled since 1990—rising from 51 in 1990 to 260 in 1999. The cost of settling these claims grew from \$2.8 million to \$19.2 million over the same period.

For additional information about this issue, contact Richard Greene at (212) 442-8611 or by email at richardg@ibo.nyc.ny.us

IBO Welcomes New Staff

Doug Turetsky joined IBO in January 2001 as director of communications and publications. Most recently he was director of policy and public affairs for United Neighborhood Houses. From 1991-1997, Doug worked at the Manhattan Borough President's Office, first as deputy press secretary and later deputy director for policy. He also has served as editor of City Limits magazine and written extensively on New York City issues for local and national publications. He has a Master's in urban planning from New York University.

Ana Maria Ventura joined IBO in January 2001 as a budget and policy analyst with a primary focus on education. Prior to coming to IBO, Ana worked for more than four years at Manpower Demonstration Research Corporation as a research assistant and later a research analyst. Her work at MDRRC involved monitoring the implementation of welfare and education reform initiatives primarily through qualitative research methods. She is currently completing a Master's in Comparative and International Education at Columbia University; Ana earned her B.A. in psychology at New York University.