



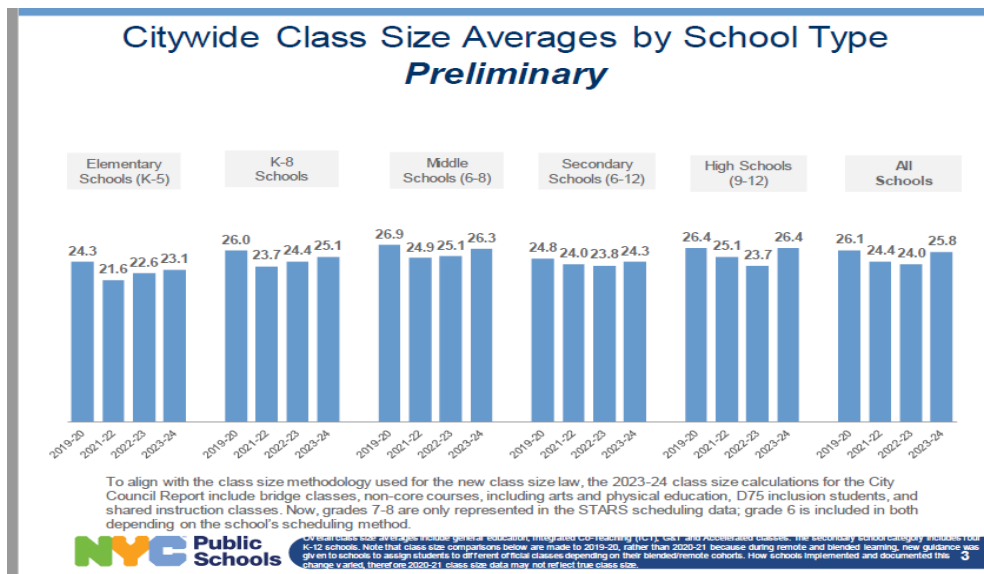
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Class Size Matters Testimony before the Finance Committee about the Mayor’s proposed budget cuts to education

December 11, 2023

My name is Leonie Haimson, I am the Executive Director of Class Size Matters, and thank you for the opportunity to testify to you today. We are very concerned about the proposed cuts to the education budget that are being imposed midyear, and those that are proposed for the future that could total over a billion dollars.¹

Our concerns are even more intense given that these cuts they already follow two years of cuts to schools that have already caused class sizes to increase, according to the Department of Education’s own data. For elementary, K-8 and middle schools, this was the second year of increases, according to the DOE’s own class size summary.² Cuts of this magnitude would not only cause the loss of many critical education programs and services, but also lead to even sharper increases in class size, making it impossible for the city to comply to with the new class size law that requires at least 40% of academic classes to meet the new mandated class size caps.³



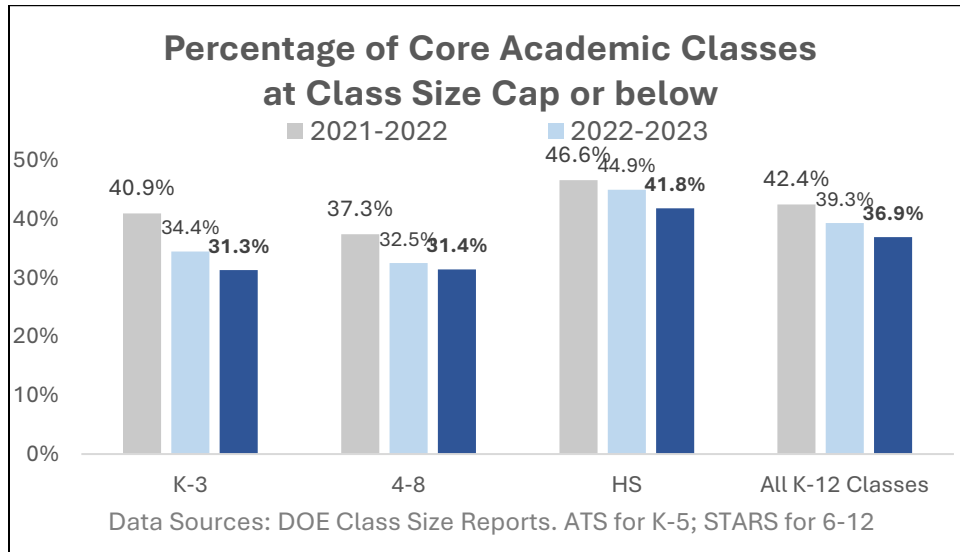
¹ The administration proposes to cut \$547 million from DOE budget for this fiscal year, to be followed by an additional cut of \$602 million in FY 2025, \$625 million in FY 2026 and yet another \$625M in FY 2027. See:

<https://www.nyc.gov/assets/omb/downloads/pdf/peg11-23.pdf>

² <https://infohub.nyced.org/docs/default-source/default-document-library/2023-24-preliminary-average-class-size-summary.pdf>

³ These caps are no more than 20 students per class in Kindergarten through third grade, 23 students per class in grades fourth through eighth, and no more than 25 students in core academic high school classes. See

The class size data over time also reveals that this is also the second year in a row in which the percentage of classes that were able to meet the caps in the new law declined, of no more than 20 students per class in grades K-3, 23 students per class in grades 4th- 8th, and 25 students per class in core high school academic classes.

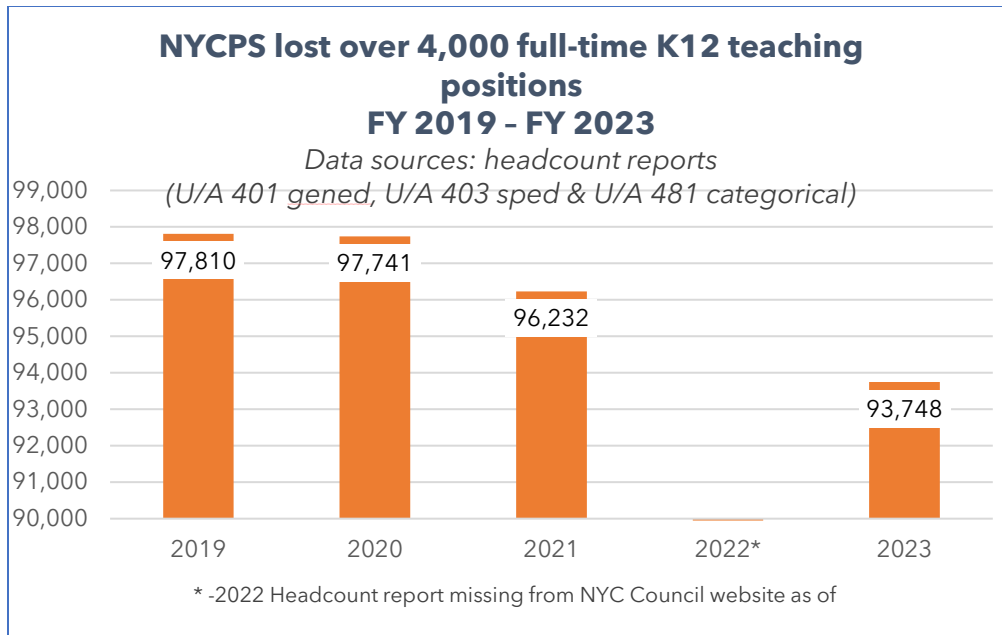


The city’s failure to properly fund and plan for class size reduction in accordance with the law caused Class Size Matters and the Alliance for Quality Education to send a letter to the State Education Department on November 30, urging them to require the city immediately develop a corrective action plan to meet the goals in the law.⁴ The IBO estimates that it would cost \$214 million in 2026 and \$427 million in 2027, respectively, to cover salaries for additional teachers over the first two years of the three-year phase-in period.⁵

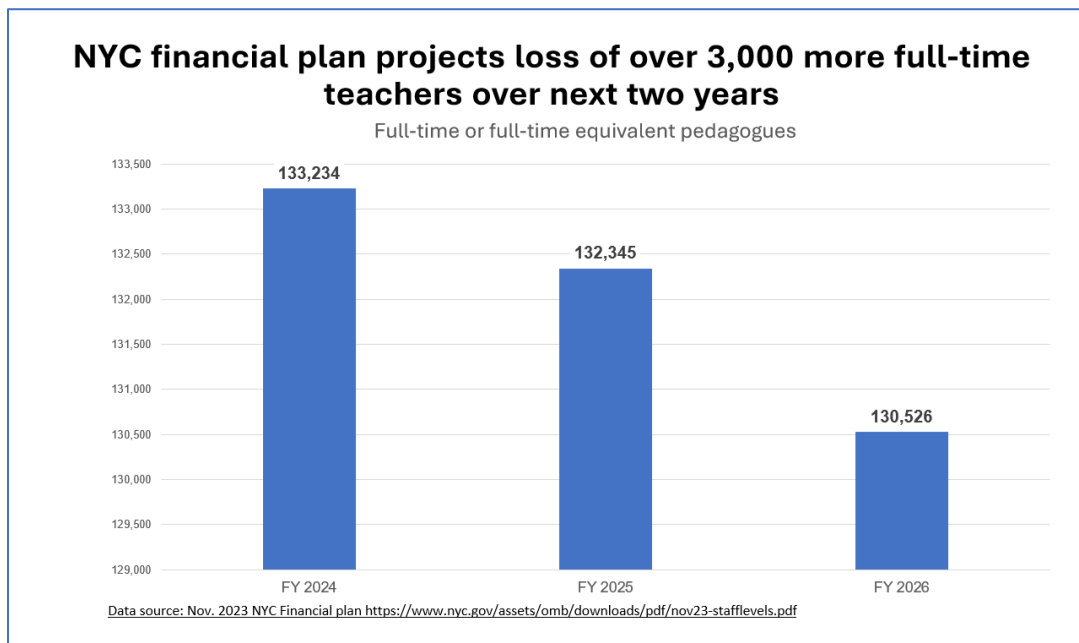
And yet according to official DOE headcount data, provided to the City Council, the number of K12 teachers has already decreased by over 4,000 K12 teachers since FY 2019.

⁴ <https://classsizematters.org/class-size-matters-age-urges-state-education-department-to-require-doe-submit-a-class-size-corrective-action-plan/>

⁵ <https://ibo.nyc.ny.us/iboreports/mind-the-gap-new-york-citys-economy-shows-resilience-while-inflation-cools-but-expenses-yield-budget-uncertainty-fiscal-outlook-december-2023.pdf> This estimate assumes that DOE will meet the caps for next year, which we believe is unlikely for the reasons stated above.



The city's financial plan projects an additional loss of over 3,000 more full-time teachers between June 30, 2024 and June 30, 2026.⁶



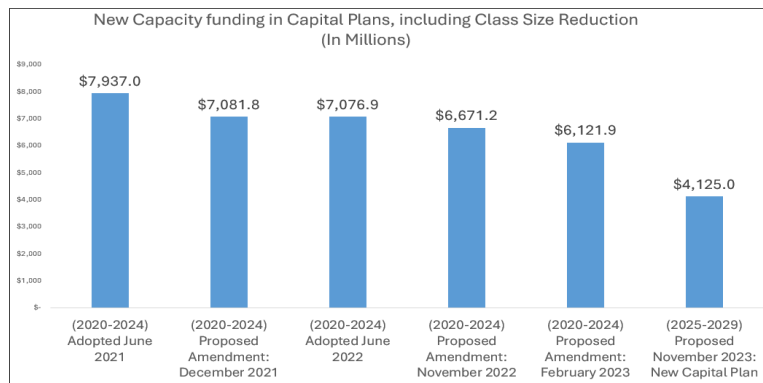
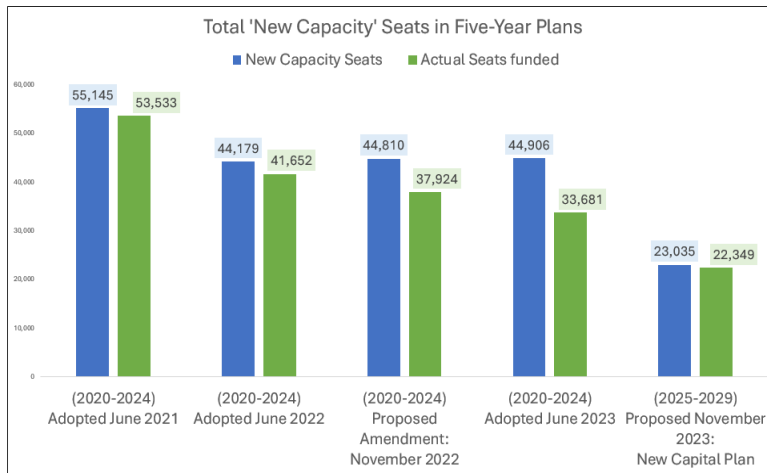
To make it even more unlikely that the DOE will create sufficient space to lower class size, last month the School Construction Authority released the new proposed five-year capital plan for FY 2025-2029. The proposed plan would cut \$2 billion in new capacity and more than 20,000 seats compared to the current five-year plan, continuing a steadily declining number of new seats funded since June 2021.⁷

⁶ <https://www.nyc.gov/assets/omb/downloads/pdf/nov23-stafflevels.pdf>

⁷ https://dnnh5cc1.blob.core.windows.net/portals/0/Capital_Plan/Capital_plans/11012023_25_29_CapitalPlan.pdf?sv=2017-04-17&sr=b&si=DNNFileManagerPolicy&sig=LMmx0Vrv3O960CtQmVnvz17PVxP194AIUHhmsdJktNo%3D

According to DOE officials, elementary schools in Districts 20, 21, 22, 25, 27, 28 and 31 do not currently have the space to cap even Kindergarten classes at twenty students or less.⁸ And yet five of those districts do not have any seats specified in the proposed Five-year Capital Plan for FY 2025-2029.

In Districts 27 and 31, the number of seats funded have been sharply cut back in the new proposed plan, compared to the current plan. As it takes at least four to five years to site and build new schools, without significant changes to the capital plan in conjunction with enrollment adjustments across schools, it will be impossible to meet the class size mandates in the law.



Instead, 77% of the funded seats remain unidentified according to borough, district, or grade level. Instead, the plan says that from now on, *“projects will be officially listed in the Plan following the identification of a suitable site and the commencement of the school facility’s design process.”*

This omission leaves the public out of the process completely and without any input as to where new schools are needed or sited. It also appears to violate the class size law, which requires the DOE to report **“how many classrooms will be added in each year and in which schools and districts to achieve the class size targets”**, as well as Education Law § 2590, that requires the Chancellor to annually prepare an **“educational facilities master plan...including a list of prioritized projects to the extent ascertainable and [to] list each proposed new educational facility and set forth a justification, including demographic data, documenting the long term need therefor.”**⁹

⁸ Office of Student Enrollment, Modeling Enrollment Reductions through Admissions: Kindergarten Match Simulations, June 2023.

⁹ <https://codes.findlaw.com/ny/education-law/edn-sect-2590-o/>

We also have deep and continuing concerns about the city's lack of maintenance of effort, and the fact that the DOE is making these cuts to education despite the requirement in the Contracts for Excellence law that it must supplement rather than supplant education funding.

New York City is now receiving more than \$1.3 billion in annual Foundation Aid, phased-in over three years since FY 2021. The additional Foundation Aid was agreed to by the Governor and the Legislature to settle the Campaign for Fiscal Equity case, in which the city's excessive class sizes were a central issue in the case. And yet not a single dollar of these additional funds has been specifically targeted by the DOE to lower class size.

We are heartened by the fact that as reported by the Council Finance committee, the city will benefit from tax revenues amounting to \$1.2 billion more this fiscal year than the mayor's office reported just last month.¹⁰ There are also billions of dollars in the city's reserve funds.

There are also many other budget options that would increase city revenue, most of them requiring the state's approval. We include a list of them in the Appendix, but wanted to draw your attention to three of them that would directly add to the DOE budget. The two would provide more fairness to NYC, which is penalized by the state and carries particularly onerous financial burdens as regards charter schools, unlike any other district in the state.

- **Require the state to cover the entire cost of NYC charter school rental subsidies, which would save the DOE more than \$75 million this year, and even more in future years.**¹¹ NYC is the only school district in *the nation* that is required to help pay for charter school rent., and this is an unfair burden on the NYC taxpayer as well as the education budget
- **Require the State to provide NYC with state charter transition aid**, which would provide about \$93 million to DOE this fiscal year. NYC is the *only* school district in the state that does not receive this aid, designed to reimburse districts for part of the cost of charter school expansion. Because of this exemption, NYC has been excluded from \$2.81 billion in state transitional aid from 2011 to 2023.¹²
- Lastly, **the capital reimbursement for school construction should be raised to 50%, which could provide billions to help pay for new schools, necessary to alleviate overcrowding and lower class size.** According to the School Construction Authority, NYC receives only 25% reimbursement for new school construction currently, while still receiving 50% for other capital improvements.

Thank you for the opportunity to testify today.

¹⁰ <https://gothamist.com/news/city-council-budget-report-sees-ways-around-mayor-adams-spending-cuts> and <https://council.nyc.gov/press/wp-content/uploads/sites/56/2023/12/Council-FY24-November-Plan-Forecast-FINALbed72e2de824b0c9eee770bcb19b215bee66977d476a5045903fbed7bc0c16e.pdf>

¹¹ <https://ibo.nyc.ny.us/iboreports/savings-options-reducing-subsidies-december-2022.pdf>

¹² <https://edlawcenter.org/news/archives/new-york/the-unsustainable-cost-to-new-york-city-schools-of-charter-school-growth.html>

Revenue options for New York City

Potential education revenue and savings

I. **Require the State to cover the entire cost of NYC charter school rental subsidies**

Costs NYC ~\$75 million in FY 2023¹³ an amount that is increasing rapidly each year. While the state only currently covers 60% of these subsidies, NYC is the only school district in *the nation* that is required to help pay for charter school rent.

II. **Require the State to provide NYC with state charter transition aid**

Revenue: Additional ~\$93 million in FY 24

NYC is the *only* school district in the state that does not receive this aid, designed to reimburse districts for part of the cost of charter school expansion. Because of this exemption, NYC has been denied \$2.81 billion in state transitional aid from 2011 to 2023¹⁴.

III. **Raise the capital reimbursement for school construction to 50%, where it was previously**

Revenue: Could provide billions more in capital expenses

According to SCA/DOE, NYC receives only 25% reimbursement for new school construction currently, possibly because of a cost cap, while still receiving 50% for other capital improvements.

Other revenue options for NYC as a whole (could raise > \$2b annually)

I. **Raise The Personal Income Tax On High-Level Earners**

Revenue: ~\$900M million annually¹⁵

Increase taxable incomes above \$500,000 for singles, \$750,000 for head of household, and \$1 million for married couples filing jointly to 4.46% (0.584 percentage points above the current top rate); for filers with taxable income above \$5 million, raise the tax to 5.0% (+1.124 percentage points above the current rate); and raise for filers with taxable income above \$25 million, to a marginal rate of 5.5%.

II. **Establish a Pied-A-Terre Tax**

Revenue: \$232M annually¹⁶, \$277M according to Comptroller for FY25¹⁷.

On houses with market values of \$5 million or more, and condominiums and coops with assessed value of \$300,000 or more, with exemptions if it is the primary residence of at least one owner or a parent or child of at least one owner, or properties rented on a full-time basis to tenants for whom the property is their primary residence.

¹³ <https://ibo.nyc.ny.us/iboreports/savings-options-reducing-subsidies-december-2022.pdf>

¹⁴ <https://edlawcenter.org/news/archives/new-york/the-unsustainable-cost-to-new-york-city-schools-of-charter-school-growth.html>

¹⁵ <https://comptroller.nyc.gov/reports/raising-revenues/>

¹⁶ <https://ibo.nyc.ny.us/iboreports/2022-may-all.pdf>

¹⁷ <https://comptroller.nyc.gov/reports/raising-revenues/>]

- III. **Impose property taxes on Columbia University & NYU or make them contribute PILOTs (Payments in Lieu of Taxes) instead**
 Revenue: Could raise as much as **\$327M annually**.¹⁸ Many large private universities pay fees in lieu of property taxes across the nation.
- IV. **Establish a Retail Storefront Vacancy Tax Surcharge**
 Revenue: **\$170 million annually**¹⁹
- V. **Extend the Mortgage Recording Tax to Co-ops**
 Revenue: **Over \$95 million annually**²⁰
- VI. **Impose a City “Mansion Tax” for properties sold for \$2 million or more**
 Revenue: **\$270 million annually**²¹
- VII. **Implement a Carbon Tax and Dividend**
 Revenue **\$264 million annually**²²
 Under this option, a tax would be collected by electric, gas, and heating oil companies and assessed on the carbon intensity of their energy mix.
- VIII. **Impose Penalties for Failed Façade Inspections and for delays in Façade Repairs**
 Revenue: **\$150 million annually**²³
 Would also reduce the growing number of sidewalk sheds.
- IX. **Impose Impact Fees on developers**
 Revenue: **\$26 million to \$63 million annually**²⁴
 Helps cover part of the cost of the additional infrastructure required to serve residents, including the need for new schools.
- X. **Eliminate the Property Tax Exemption For Madison Square Garden**
 Revenue: **\$42 million in 2023**²⁵, estimated \$44M by Comptroller²⁶
- XI. **Reimpose the General Corporation Tax on Insurance Companies**
 Revenue: **\$510 million annually**²⁷
 NYC insurance corporation tax was eliminated in 1974 and these companies are the only large category of businesses that are currently exempt from NYC business taxes.
- XII. **Tax Carried interest under the Unincorporated Business Tax**
 Revenue: **\$75M annually**²⁸

Compiled by Class Size Matters, 12/10/23

¹⁸ <https://www.nytimes.com/2023/12/10/nyregion/columbia-nyu-property-tax-exemptions-legislation.html>

¹⁹ <https://ibo.nyc.ny.us/iboreports/2022-may-all.pdf>

²⁰ <https://ibo.nyc.ny.us/iboreports/2022-may-all.pdf>

²¹ <https://ibo.nyc.ny.us/iboreports/2022-may-all.pdf>

²² <https://ibo.nyc.ny.us/iboreports/2022-may-all.pdf>

²³ <https://ibo.nyc.ny.us/iboreports/2022-may-all.pdf>

²⁴ <https://ibo.nyc.ny.us/iboreports/2022-may-all.pdf>

²⁵ <https://ibo.nyc.ny.us/cgi-park3/2018/12/28/revenue-options-eliminating-or-reducing-tax-breaks/>

²⁶ <https://comptroller.nyc.gov/reports/raising-revenues/>

²⁷ <https://ibo.nyc.ny.us/iboreports/budgetoptions-2023-eliminating-or-reducing-tax-breaks.html>

²⁸ <https://ibo.nyc.ny.us/iboreports/budgetoptions-2023-eliminating-or-reducing-tax-breaks.html>