

RCSD 'heading toward bankruptcy,' board member says

Though reserves shrink, officials deny any crisis

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Every year the Rochester City School District passes its budget and sends it off to Rochester City Council for final approval; every year there is some ineffectual grumbling on Church Street about City Council's lack of control over that huge portion of its budget.

This year, there was a twist: School board member Beatriz LeBron sent a letter to City Council President Loretta Scott, urging her in essence not to approve the district's spending plan. LeBron pointed to the district's large withdrawals from fund balance in the last several years and warned of a crisis, or even district bankruptcy, in the near future.

"The trend is clear that our expenses continue to increase while our revenues fall flat," she wrote. "We will not have enough money to meet the growing demands of our community. The district's three-year projection clearly demonstrates that we are heading toward bankruptcy."

Indeed, the 2018-19 budget book shows the anticipated budget gap growing from \$44 million in 2019-20 to \$74 million in 2021-22. As a solution, it proposes more fervent lobbying of the city and state governments and finding more grant funding — none of them new approaches.

Structural budget gaps have become a persistent annual problem for RCSD and other urban municipalities throughout the country, including the city of Rochester. What is new for the district, in addition to the increasing size of the gap, is the depletion of its general fund balance.

The district has taken between \$11 million and \$20 million from the fund balance for the last five years. There is now about \$8 million left in the bank, to which the district intends to add back \$3 million over the course of the 2018-19 school year.

"(Bankruptcy) happened in Chicago, with an enrollment of 371,000 students, and in Detroit, with an enrollment of 44,000 students," LeBron wrote. "They too had early warning signs and ignored them."

"I just wanted (City Council) to be aware, because if we go into a deficit, they have the knowledge now, too."

Neither the Chicago nor Detroit school districts actually declared bankruptcy but rather came to the brink before getting massive cash infusions from the state government. Other school districts throughout the country have faced similar situations.

Malik Evans served several terms on the school board before switching to City Council this year. He said he thought bankruptcy would be "a long, long way away."

"That's mission-critical, and I don't think they're there right now," he said. "She makes some good points in the letter, but I think it's up to her to work with the district to come up with a long-term plan to ensure they're fiscally strong."

LeBron proposes a hiring freeze on all positions; a reduction in the use of consultants; and eliminating all unnecessary travel. She and Natalie Sheppard were the only school board members to vote against the \$915 million budget last year.

City Council's Finance Committee did vote "yes" on the RCSD budget Wednesday night, and the full council is likely to follow later this month. It is not clear it has any other option.

The city provides the district with \$119 million every year, a figure fixed in state law. In 2009 there were widespread protests by RCSD families and the Rochester Teachers Association, asking City Council to reject the budget because of steep cuts in the arts.

Tom Richards, then serving as the city's corporation counsel, advised members that the council's options were limited — if it rejected the budget, it would be required to take action to balance it.

But when RCSD presents a budget that is balanced to begin with, City Council likely would lack authority to jigger with it.

"We're very much limited in what we can do to impact those kinds of changes," Scott said. "For a system (RCSD) that's already a bit destabilized, unless we were clear about the likely outcome, just voting 'no' as a practice is not necessarily helpful."

Nonetheless, she added: "Our overall concern has been that the deficit is increasing year over year, and it's not clear in any aspect is how it's going to be bridged. It really is extreme and that has to be addressed."

RCSD Superintendent Barbara Deane-Williams and Chief Financial Officer Everton Sewell presented the budget to City Council last week. The idea, they said, is that reverting to more of a neighborhood school model and gradually improving student performance will reduce costs on transportation, remediation and, as Deane-Williams said, "the kinds of expenses associated with failure."

She added that there will be "a focus on long-range financial planning and modeling," which could include some elements of school-based funding, where a building gets to set its own budget.

A similar system is in place in Indianapolis.

Over the last several years, the school district budgets have not merely held the line on the previous year's expenditures but also have added hundreds of positions, including many teachers of special education, English as a new language and literacy.

Enrollment has been on a general downward trend, but percentages of students with disabilities and English language learners have increased. Enrollment rose this year for the first time in many years due to the arrival of many students from Puerto Rico.

"We constructed the budget to meet the needs of our current students," Deane-Williams said. "While enrollment has declined, the students we currently serve have very critical needs, as do our families."

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LeBron