RCSD financial crisis: A breakdown of facts

RCSD hasn’t determined who is responsible for the lack of oversight leading to the overspending of about $50M

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Just when the Rochester City School District seemed to have calmed the waters, it discovered in the middle of last week a budget hole reported at $50 million. The situation represents the first major crisis for recently appointed Superintendent Terry Dade.

What happened?

Late Wednesday, the accountant whom the district hired to review its 2018-19 finances alerted the internal auditor-general, Anissa Henry-Wheeler, to “concerns related to the preliminary findings in the district’s ... year-end audit reconciliation.” The district promptly notified city and state officials and the public of those concerns — but did not include an estimate of the figure in question.

On Saturday, four sources in the district confirmed to the Democrat and Chronicle that the missing money amounts to about $50 million, or about 5% of the 2018-19 budget.

Where did the money go?

The district hasn’t determined that yet. Chief of Staff Annmarie Lehner said definitively that it is not a question of fraud or theft. Rather, it appears to reflect a conclusion that budget consultant Rick Timbs drew in December 2017: “It cannot be overstated that (district employees) must begin to realize that the funding for the district is not unlimited.”

Broadly speaking, it seems the district’s finance office did not properly account for the many new hires that then-Superintendent Barbara Deane-Williams included in the 2018-19 budget, especially in the field of special education.

The district also pointed to cost increases in its self-funded health insurance, though Rochester Teachers Association President Adam Urbanski said that fund has always been healthy.

How will the district recover?

A team in the finance department planned to work Monday and Tuesday to come up with some preliminary answers to that and other questions. The most obvious short-term fix would be staff reductions. Before his departure, then-interim Superintendent Daniel Lowengard said the district must “rightsize” its staff and count of school buildings, among other things, to deal with a structural budget deficit.

In a message posted online Sunday, though, Dade said: “While there is no doubt we will address these financial issues with both shortterm actions and longterm plans, I can assure you that I have no plans for a reduction of staff this year.”

What will be the consequences?

RCSD still hasn’t determined who is responsible for the lack of oversight leading to the overspending. White and finance committee chairwoman Powell both placed the blame on the administration rather than the school board.
The city of Rochester was particularly perturbed by the news of the shortfall because it recently issued a revenue anticipation note (RAN) for $50 million. That is a sort of municipal borrowing. In issuing the RAN, the city made a commitment to its joint financial picture with RCSD that now is inaccurate.

“If this information was inaccurate, it could potentially have significant impact on taxpayers as the lenders will hold RCSD accountable,” city spokesman Justin Roj said in a statement. “It is imperative that RCSD and its leadership share the facts along with accurate and complete information regarding its financial stability immediately.”


Monday morning, state Sen. Rich Funke called for a state investigation and said he is “considering state legislation to effectuate the referendum.”

That refers to a vote Mayor Lovely Warren attempted to put on the November ballot to assess the community’s interest in a state takeover of the district. On trial and appeal, state courts found it impermissible and barred it.

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The Rochester City School District’s finance department is working on the problem. PROVIDED