

# TheChildren'sAgenda

## Smart Choices. Bold Voices.

### Understanding Hidden Drivers: Unique Challenges, High Costs, No Vote in Rochester City School District Budgets

January 2018

The Children's Agenda's (TCA's) mission is to advocate for effective policies and drive evidence-based solutions for the health, education and success of children, especially those who are vulnerable because of poverty, racism, health disparities and trauma. To advance that mission, TCA has analyzed Monroe County's budget every year since 2002, and more recently the annual budgets of the City of Rochester and New York State. TCA is developing its first annual analysis of the Rochester City School District (RCSD) budget in 2018. Our goals for the budget analysis are to dispel persistent myths, advocate for solutions that put the best interests of children first, ensure the best evidence-based use of precious resources, and empower the community by making the budget process more accessible.

This policy brief explains some major drivers of revenues and expenditures, puts RCSD's per pupil spending in context with other districts and poses questions for further study. We only compare RCSD's finances to school districts in New York State because school funding policies are state specific.

How the Rochester community spends money on education is a reflection of its values. This policy brief is an introduction to thinking about the larger forces shaping the RCSD budget and the values those forces are promoting.

#### IMPORTANT TAKEAWAYS

- **Extreme Cost Drivers:** There are many structural cost drivers that are unique or extreme to RCSD. Four large expenses are Students with Disabilities (SWD), English Language Learners (ELL), Transportation, and poverty-related programs. RCSD has the highest expenses in all of these categories among school districts in Monroe County.
- **Rochester is Unique:** It cannot be overstated how unique the public schools are in Rochester, Buffalo, and Syracuse. Their demographics are extreme outliers compared to other districts in the United States. The funding and policy environments they face are specific to the 5 biggest school districts in New York. With so few comparable school districts the context of RCSD's spending must be looked at carefully.
- **Special Education Spikes Costs:** Special education is the most significant cost driver due to high classification rates (20 percent) and high costs (\$29,591 per student). New York State public schools spend 149 percent more on special education students than on students in general education. Additional spending is necessary to meet these students' needs, which greatly inflates per pupil spending and creates a false perception of funding flexibility. However, this

high level of spending on special needs students has not increased outcomes, which raises many questions.

- Limited Local Revenue and Control:** RCSD has no authority to raise local revenue, and instead receives a fixed amount of \$119.1 million from the City of Rochester annually. Increases in revenue come from the state and must cover a greater share of costs every year because local revenue is low and fixed. RCSD is dependent on the state to cover rising costs, and the community has no direct vote on the school budget, increasing parent disengagement and disempowerment.

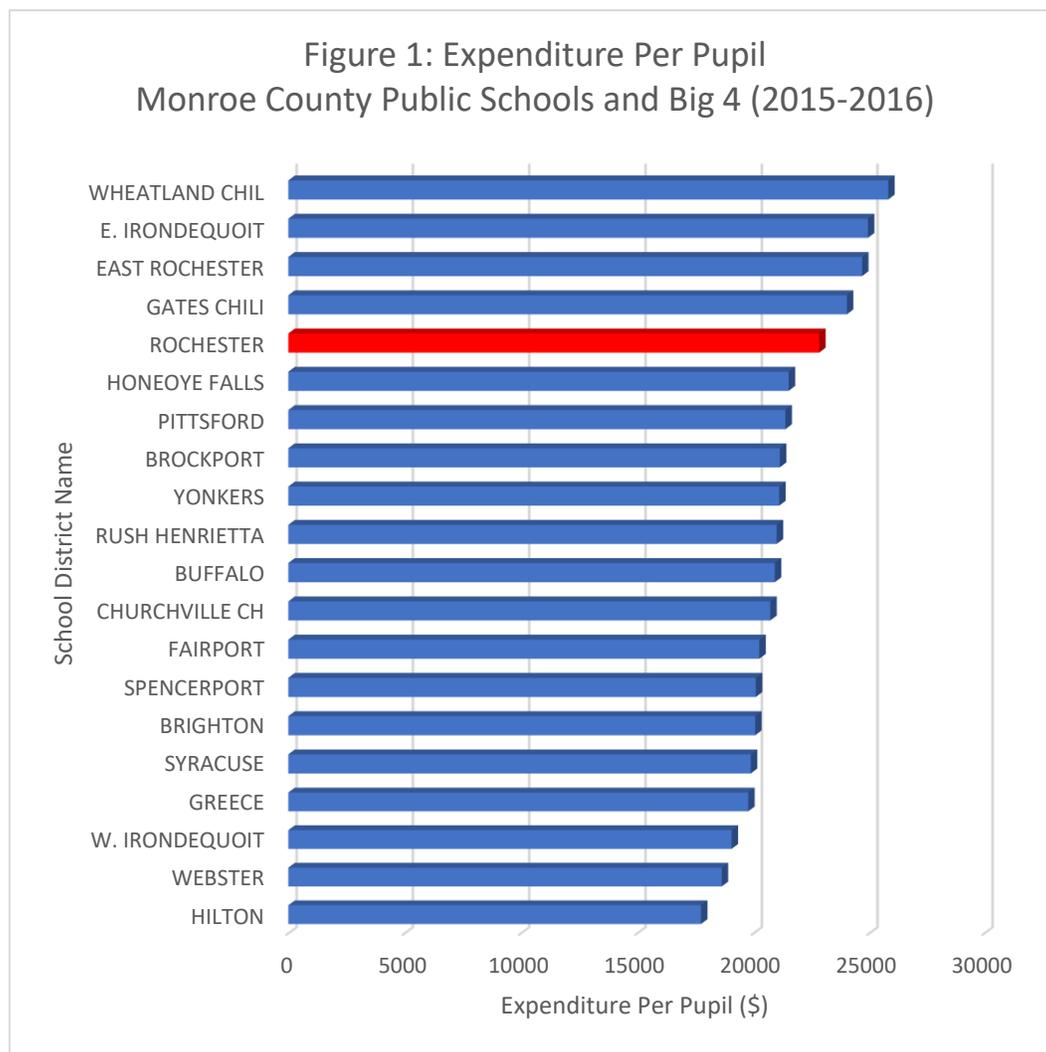


Figure 1 : Expenditures Per Pupil for Monroe County Public Schools and Big 4 School Districts for the 2015-2016 School Year. Numbers compiled from Annual Financial Reports collected by the New York State Education Department.

## Comparing Per Pupil Spending Across School Districts

How much a school district spends per student every year (per pupil spending), is a simple way to summarize the resources of a school district. Comparisons of per pupil spending must take into account district size (number of students), student needs (demographics), and location (cost of living). Size may affect the number of administrators necessary to coordinate programs and services. Per pupil funding is inflated in small districts like Wheatland Chili (see Figure 1) because of high fixed costs. Demographics—which is very important for Rochester—affects the types of programs and services students need to succeed. Districts with higher poverty rates like East Irondequoit or higher rates of students with disabilities like East Rochester, require more resources. Location is important because the cost of living influences the salaries a school district must provide, especially in and around New York City.

Under these criteria the number of comparable school districts shrinks. The Rochester City School District (RCSD) is one of the poorest and most segregated by race—for its size—in the entire country. Looking just at New York State, the closest comparable districts are the Syracuse Central School District (SCSD) and Buffalo Public Schools (BPS)<sup>1</sup>.

It cannot be overstated how unique these three districts are. The demographics of these cities are extreme outliers, and the funding and policy environments they face are specific to New York. New York spends more per pupil on average than any other state<sup>2</sup>. This is driven by the high cost of living in and around New York City (which inflates salaries), higher compensation for school staff represented by strong unions, and New York's strong investment in public education relative to other states.

New York does invest a great deal in public education, and many high schools throughout the state are rated among the best in the country by U.S. News & World Report, including some in Monroe County. However, this investment has not translated into widespread success in poorer districts like RCSD.

Based on the best available data from the 2015-2016 school year, RCSD is among the bottom half of all school districts in per pupil spending, 349 out of 675 districts, in the state. This ranking only tells us that hundreds of school districts spend more on average than RCSD; it does not tell us anything about the relative costs and needs of those communities. Rochester (\$22,800) spends more than Syracuse (\$19,883) and Buffalo (\$20,914), but less than 4 suburban districts in Monroe County, including East Rochester (\$24,685) and East Irondequoit (\$24,941)<sup>3</sup>. We are not suggesting all school districts should have equal resources; this approach would ignore large differences in district size, cost of living, and demographics. It is more important to ask if these spending levels truly meet the needs of the students, and if resources are raised and distributed in a way that is equitable.

Before considering what it costs to provide a quality education in these places, we must understand why the revenues and expenditures of school districts vary so much across New York State.

## Sources of Revenue for New York State Public Schools

### LOCAL REVENUE

Local revenue makes up only 16 percent of RCSD's budget. This is unusual, given that 55 percent of school funding in New York State is raised locally<sup>4</sup>. The reason Rochester is an outlier is a combination of

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extremely low property values, lack of authority to raise taxes (fiscal dependency), and very high rates of needs-based funding from state and federal sources.

Ninety percent of local school funding in New York State is raised from property taxes<sup>5</sup>. Local property wealth and tax rates vary widely, accounting for large disparities in school funding across districts (Lowest: General Brown, \$13,599 vs. Highest: Fire Island, \$99,224)<sup>6</sup>.

RCSD is a fiscally dependent school district, meaning it has no authority to raise property taxes. Instead, the City of Rochester provides a fixed amount—\$119.1 million annually since 2007—known as the City’s *Maintenance of Effort*<sup>7</sup>. This amount is the same regardless of enrollment, inflation, or changes in property values. Only the five biggest (Big 5) school districts in New York State are fiscally dependent: Buffalo, Rochester, Syracuse, Yonkers, and New York.

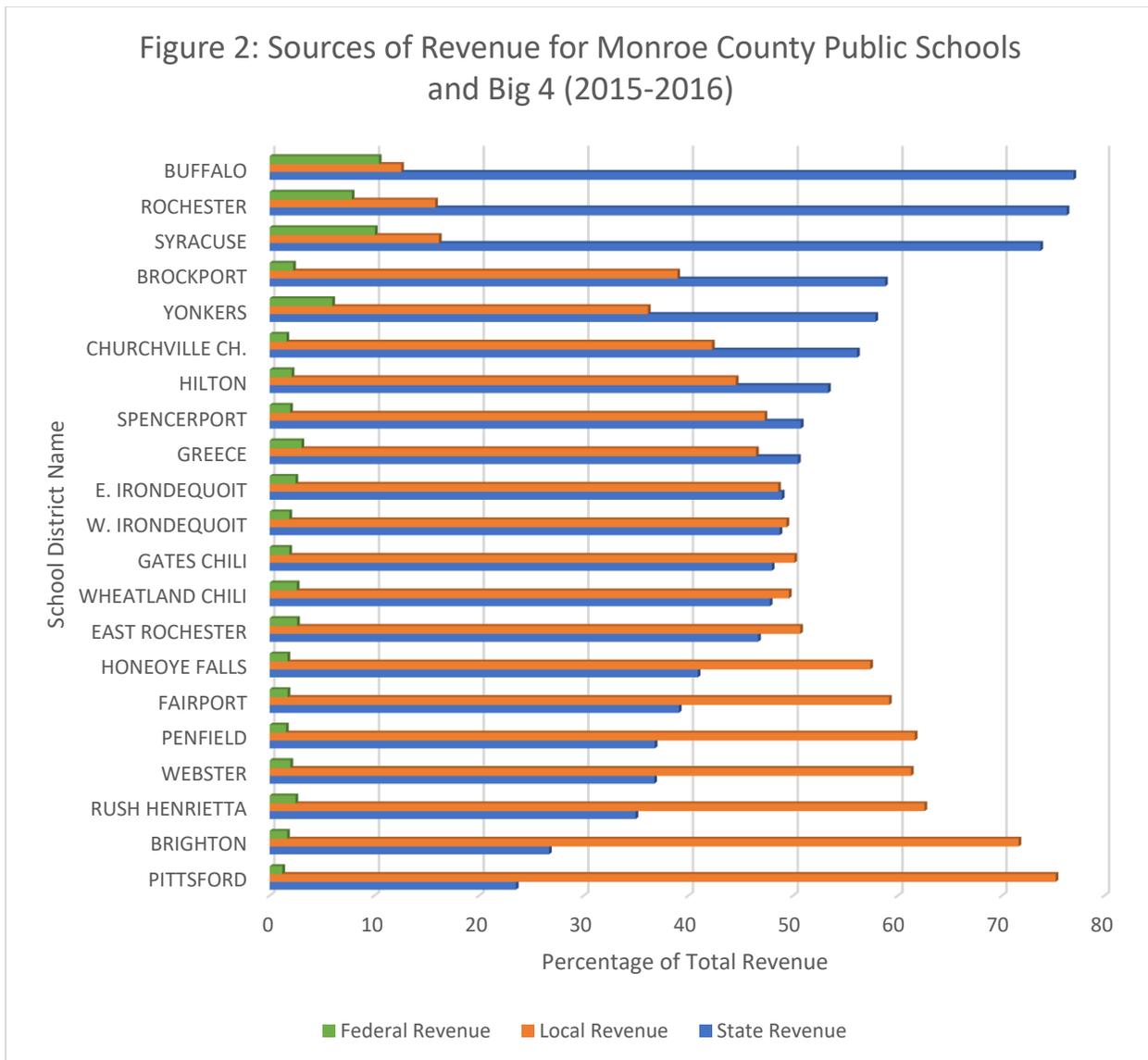


Figure 2: Sources of Revenue by Percentage of Total Revenue for Monroe County Public Schools and Big 4 School Districts for the 2015-2016 School Year. Numbers compiled from Annual Financial Reports collected by the New York State Education Department.

The \$119.1 million is raised through local property taxes by the City. The school tax effort by Rochester is 21.02 (per \$1,000 of property wealth), the second lowest in Monroe County<sup>i</sup>. By comparison Brighton's school tax effort is 30 percent higher at 27.38. While Rochester's local school tax effort is low in the context of Monroe County, it is in the top third of districts across New York State. The local effort will continue to decline as property values increase and the *Maintenance of Effort* contribution remains the same<sup>8</sup>.

Buffalo's *Maintenance of Effort* to Buffalo Public Schools (BPS) is \$70 million, much lower than Rochester's, though supplemented by \$42 million in sales tax revenue from Erie County<sup>9</sup>. With the

<sup>i</sup> The school tax effort includes all sources of local revenue and does not reflect the exact property tax rate, but rather how much revenue is raised locally relative to the property value in the area. Other sources of local revenue include private donations and grants, though on average 90 percent of local revenue comes from property taxes.

addition of the sales tax, Buffalo still raises less locally than Rochester while serving eight thousand more students<sup>10</sup>.<sup>ii</sup>

Monroe County shares a portion of its sales taxes with schools and towns which works out to roughly \$900 per student in suburban school districts. Monroe County also shares its sales tax with the City of Rochester but not with RCSD<sup>11</sup>. The City of Rochester stopped directly sharing this revenue with RCSD decades ago, instead meeting its fixed obligation of \$119.1 million, now covered entirely by property tax collections<sup>12</sup>.

Local funding does not drive spending for Rochester, Syracuse, or Buffalo—the most comparable districts for this policy brief. Each district receives 16 percent or less of its revenue from local sources. Buffalo, a city of 257,000 people, collects less in property taxes for its public schools than the town of Fairport (\$70 million vs \$73 million)<sup>13</sup>. How much money RCSD should receive locally is an important question that requires further study. The current amount being raised locally for large urban districts like Rochester, Buffalo, and Syracuse is comparable to suburban districts a fraction of their size.

### FEDERAL REVENUE

The federal government's role in funding public education is relatively small (4 percent in New York State)<sup>14</sup>. This funding is targeted entirely to the most vulnerable students, including but not limited to those suffering the effects of poverty, disability, and homelessness. RCSD receives 8 percent of its funding from federal sources, which is twice the state average, and reflects the high concentration of impoverished and other vulnerable students living in Rochester<sup>15</sup>.

RCSD receives federal funding primarily for the free and reduced lunch reimbursement, Title I, school improvement grants, and grants targeted to vulnerable students. Fluctuations in federal revenue depend largely on the phasing in and out of grants.

The 2017 federal tax reform bill will effectively raise property taxes for wealthy homeowners in New York by capping the state and local tax deduction at \$10,000. All state and local property taxes were deductible from federal taxes under the previous law, which greatly benefited New Yorkers who paid tens of thousands of dollars in property taxes. If wealthy property owners demand tax relief at the state and local level it could have a significant impact on funding for schools<sup>16</sup>.

### STATE REVENUE

State funding makes up 76 percent of RCSD's total revenue, among the highest in New York State (top 5 percent of districts)<sup>17</sup>. The statewide average is 42 percent with wealthier school districts receiving less state aid and poorer districts receiving more. Rochester, being one of the poorest communities in the state, receives a much larger portion of state aid<sup>18</sup>.

State funding is central to any discussion of RCSD's finances. As mentioned previously, the school district does not have the authority to raise local revenue. Federal funding is relatively small and set aside for specific purposes. Significant increases in school funding are *only likely to come at the state level*.

There are many types of state aid: some costs are reimbursed at a calculated rate like transportation, general maintenance, and operation of buildings; grants are given out to fund specific programs either

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<sup>ii</sup> Enrollment numbers include traditional public schools and charter schools.

districtwide or in an individual buildings; most importantly there is Foundation Aid, the largest and most flexible source of funding, used primarily for staffing and instruction.

New York State is attempting to do two things with Foundation Aid: 1) Target funding to school districts that cannot raise enough money locally to provide a quality education and, 2) Distribute money based on how expensive it is to educate children in each school district taking into account any additional needs (disability, language, poverty)<sup>19</sup>.

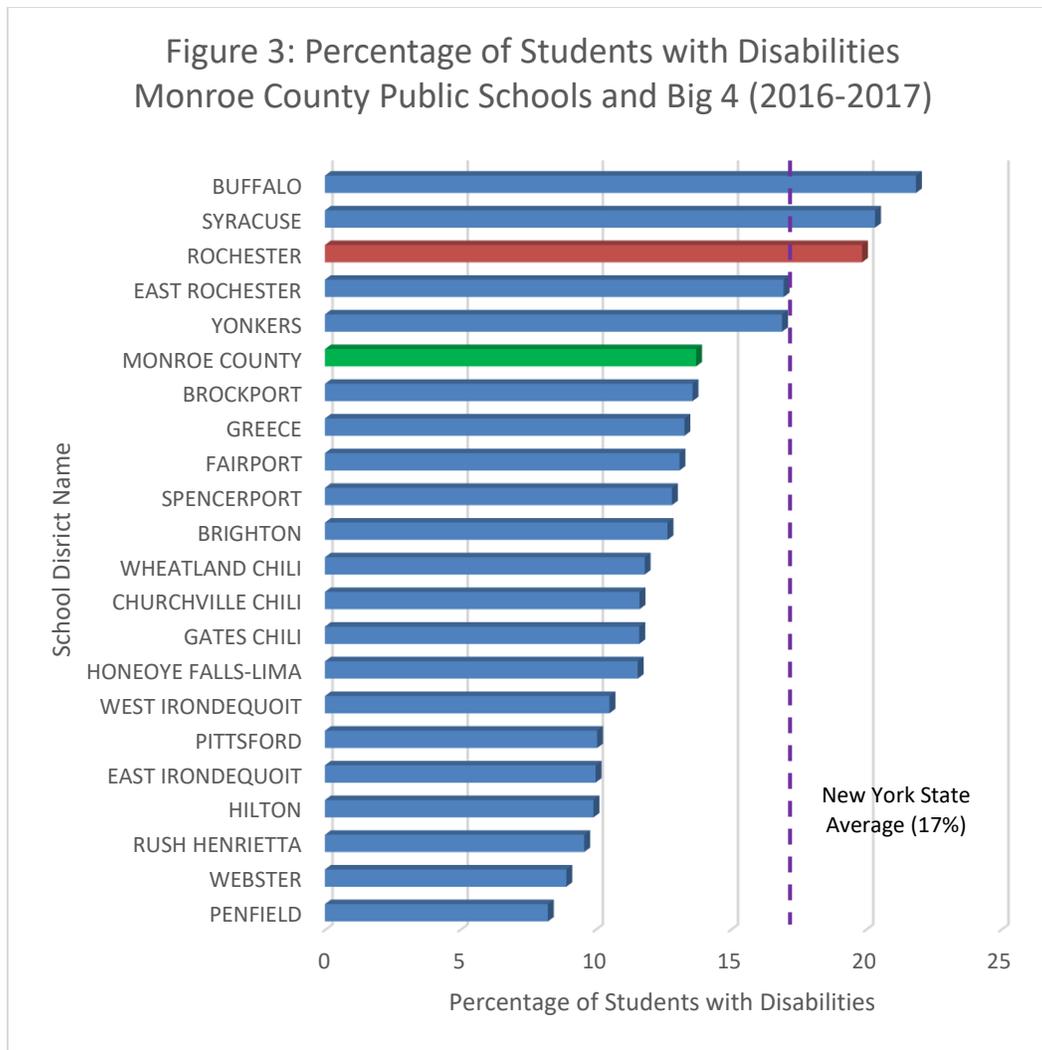
Unfortunately, the lack of local revenue can be so large that money meant for additional services goes towards basic services. If all spending was equalized across school districts in Monroe County, and then additional money was distributed based on additional needs, we would expect significantly higher spending in RCSD. Instead there is a confusing mix of state, local, and federal dollars that does not directly correspond to the needs of an individual school district.

### **RCSD Has Extreme Costs and Needs Driving its Budgets**

There are many structural cost drivers that are unique or extreme to RCSD. Four large expenses are Students with Disabilities (SWD), English Language Learners (ELL), Transportation, and Poverty-related programs. RCSD has the highest expenses in all of these categories among school districts in Monroe County.

**Students with Disabilities:** The most expensive educational programs for any school district are those that serve students with special needs. These programs require additional staffing, a wide variety of expensive specialized services, and an extensive clerical capacity to create and monitor students Individualized Education Plans (IEPs) and 504 Plans<sup>20</sup>. RCSD has the highest classification rate in Monroe County at 20 percent<sup>21</sup>.

A recent report by Dr. Judy Elliott, an education consultant and former Chief Academic Officer of the Los Angeles Unified School District, highlighted the many problems with Special Education at RCSD. The report points out that certain classification rates are unusually high and spending per pupil in special education (\$29,591) is \$4,700 higher than the average of Syracuse, Yonkers and Buffalo<sup>22</sup>. Even so, a report by the New York State Association of School Business Officials shows that RCSD still spends slightly less per pupil than the state average (\$31,423) on Special Education<sup>23</sup>. The major takeaway is that special education is consuming vast amounts of resources due to high classification rates and high costs which means *RCSD's general education spending is lower than what overall spending would indicate*. Low classification rates in surrounding suburbs also create more spending flexibility. Special Education deserves further research and attention from policymakers as a crucial area in which costs and spending are high but results are extremely low.



*Figure 3: Percentage of Students with Disabilities in Monroe County Public Schools and Big 4 School Districts for the 2016-2017 School Year. BEDS data from New York State Education Department. Enrollment numbers do not include charter schools.*

**English Language Learners:** Though not as expensive as special education, providing bi-lingual education requires bi-lingual teachers, materials, translators, and translated paperwork for parents. RCSD has by far the highest concentration of English Language Learners in Monroe County (13%). Ten out of eighteen school districts in Monroe County have less than 2% ELLs<sup>24</sup>.

The primary source of additional funding to meet these needs is through the Foundation Aid Formula. The student weighting (.50) is far less generous than for Special Education (1.41) and is even smaller than the weightings suggest because of how each is calculated<sup>25</sup>.

A huge influx of children displaced from Puerto Rico by Hurricane Maria (Estimated ~500 as of January 2018) is putting further strain on RCSD's resources to meet the needs of ELLs.

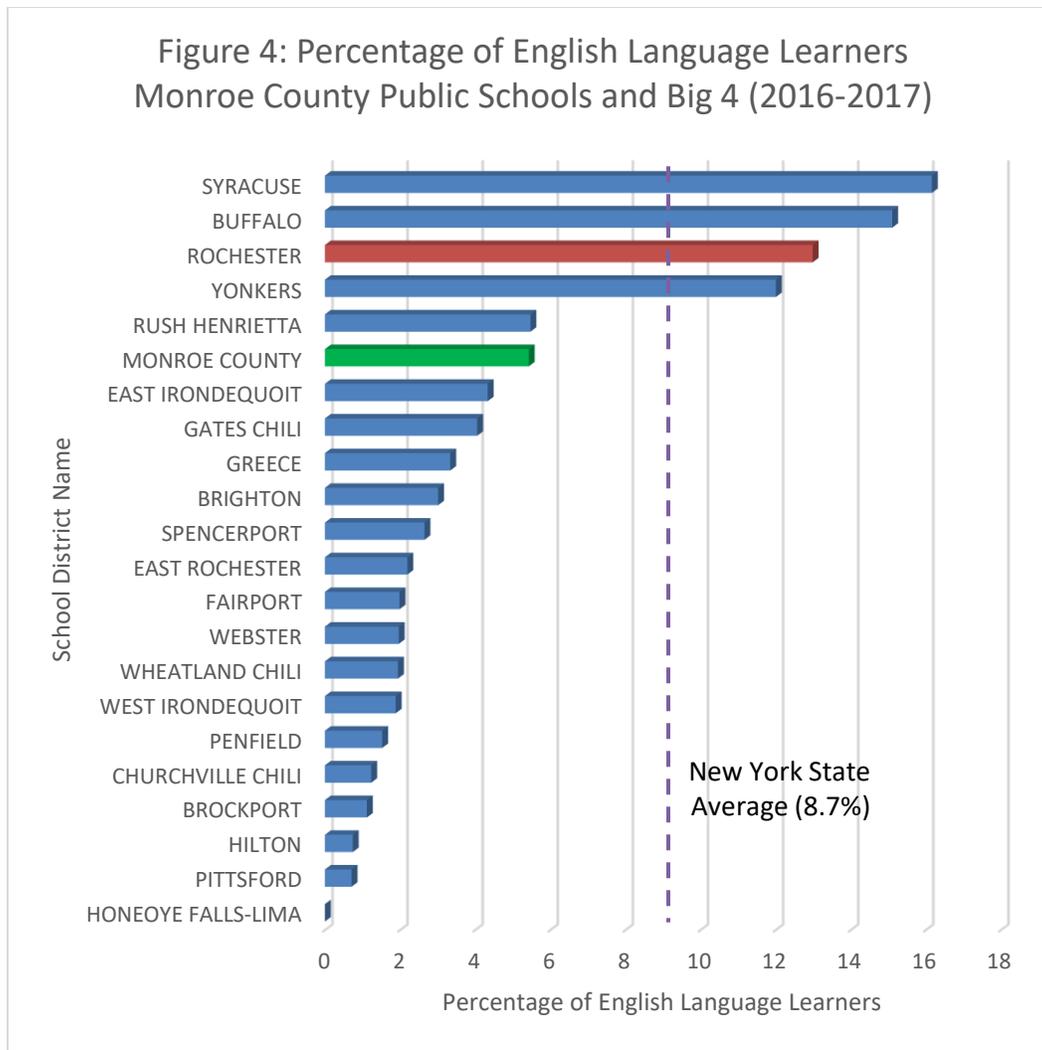


Figure 4: Percentage of Students who are English Language Learners at Monroe County Public Schools and Big 4 School Districts for the 2016-2017 School Year. BEDS data from New York State Education Department. Enrollment numbers do not include charter schools. These numbers predate the recent migration of students from Puerto Rico after Hurricane Maria.

**Transportation:** RCSD spends over twice as much (\$2,056 per pupil) on transportation as most school districts in Monroe County<sup>26</sup>. This is counterintuitive given that RCSD is the most densely populated district in the county, which would in theory lower transportation costs. These costs are inflated by at least three factors: out of district placements (Urban-Suburban, BOCES, and private), the managed-choice policy, and state reimbursement formulas.

*Out of District* - The Urban-Suburban Program places Rochester students in participating suburban school districts<sup>27</sup>. Students with special needs that cannot be served by RCSD receive placements at BOCES and surrounding private schools. Transportation costs for these students are paid by RCSD, and distribute students over a wide area<sup>28</sup>.

*Managed-Choice Policy* – In 2002 RCSD eliminated neighborhood schools and made every school one of choice. As a result students rarely attend the school closest to them<sup>29</sup>.

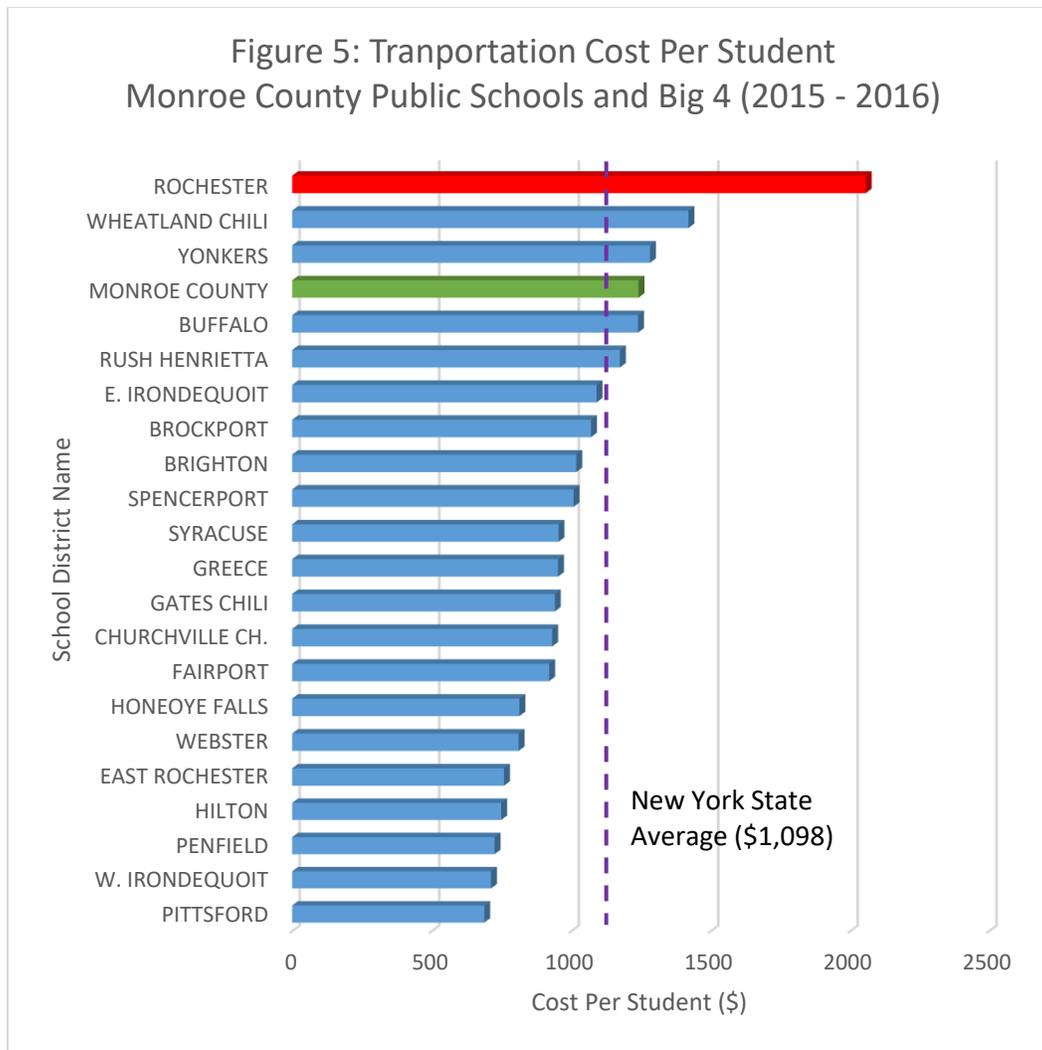


Figure 5: Transportation Cost Per Pupil for Monroe County Public Schools and Big 4 School Districts for the 2015-2016 School Year. Numbers compiled from Annual Financial Reports collected by the New York State Education Department.

**State Reimbursement** – New York State reimburses RCSD at a 90 percent rate for transporting a student a mile and a half or more from their home. To save money RCSD does not offer short distance busing because it will not be reimbursed by the state. Combined with the managed-choice policy, this encourages parents to choose a school farther away to guarantee busing<sup>30</sup>.

Because of generous state reimbursements these costs are not a significant burden on non-transportation related expenses for RCSD. While money could be saved for the state by altering reimbursement policies, those savings should be shared with the local district.

**Poverty:** Most federal revenue and a large portion of state revenue is targeted to children living in poverty. Federal funding for poverty-related programs consists of Title I (largest and most flexible source of federal revenue), Free and Reduced Lunch reimbursements, and various grants. State revenue follows a similar pattern of Foundation Aid (largest and most flexible source of state revenue), various

grants, and a much smaller reimbursement for school lunches. The rate of student poverty, like the rate of special education students, proportionally increases revenues and costs for a school district.

With this additional revenue public schools both provide and connect children to medical care, dental services, mental health services, housing, clothing, and nutritional programs. Money is also used to support instruction and academic interventions. Students living in poverty on average come to school less prepared and face more physical and mental stress that routinely interfere with the educational process. Providing a *better* education helps close the preparation gap and connecting students to basic needs lessens physical and mental stress<sup>31</sup>.

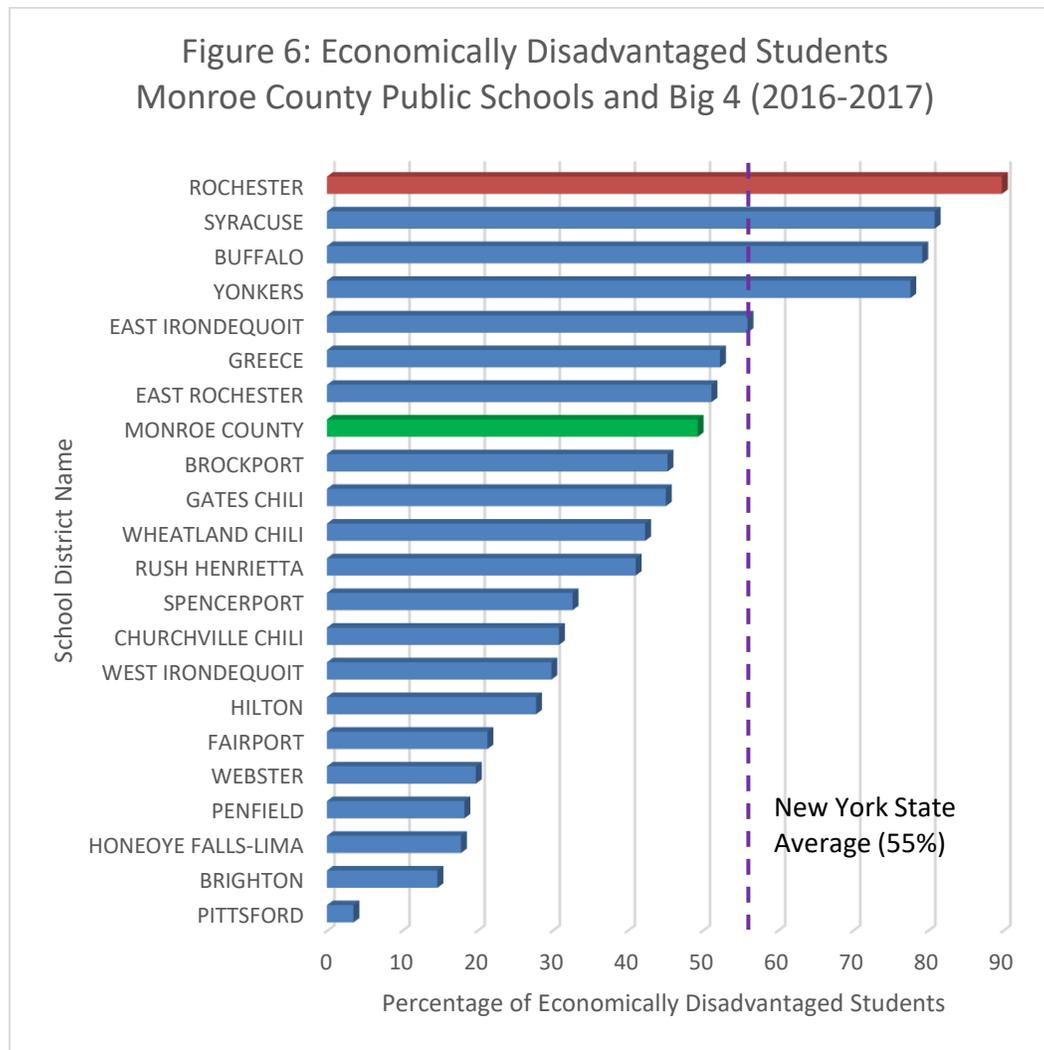


Figure 6: Percentage of Students who are classified as Economically Disadvantaged at Monroe County Public Schools and Big 4 School Districts for the 2016-2017 School Year. BEDS data from New York State Education Department. Charter schools included in state and Monroe County totals.

Providing these additional services and instructional supports is most effective when there is stable funding for basic instruction. Cities with high poverty rates and low property wealth like Buffalo, Syracuse, and Rochester do not raise enough money locally to cover basic costs. School districts in these

cities must use state and federal dollars to fund basic instruction, supplemental programs for students in poverty and instructional improvements.

An entire policy brief could be written on poverty and school finance. However, this brief is meant to highlight lesser known factors affecting school finance in addition to poverty. At the same time poverty cannot be ignored. RCSD's poverty rate has increased dramatically over the past four decades and may never be reversed without bold policy interventions at all levels of government.

## IMPORTANT ISSUES REQUIRING MORE RESEARCH

The Children's Agenda shares our community's great concern about how money is being spent to support Rochester's students. We believe that spending money on programs that have a proven track record will be the most effective way to raise student achievement. We also recognize that we cannot tackle every issue at once, and need to focus our attention on areas the community is most concerned about, and where the staff has the knowledge and authority to make changes.

With this in mind TCA will be looking closely in our budget analyses at spending on **special education, social emotional learning and health (including school discipline), and early childhood programs**. Effective spending in these areas will put children who are struggling or need special attention back on the path to graduation. We also chose these areas because there is great work already happening at RCSD; including the expansion of universal Pre-K for 3 year olds, and the use of restorative practices. All change is difficult, and it is important that Rochester build on its strengths in addition to taking new approaches.

To improve special education, social emotional learning and health, and early childhood programs, we must also tackle dozens of other related issues. Any changes to school funding must always address **systemic and individual racism**. This is a majority black and brown district that continues to wrestle with the ongoing effects of racism. Rochester must support a large and growing population of Puerto Rican students fleeing the devastation of Hurricane Maria (estimated at ~560 students in January, 2018). We must support **bi-lingual education**, and a strong **newcomer program** to welcome these children into their new home. Most important of all, no educational program will be successful without authentic **parent engagement**. A budget process that empowers parents to make decisions for their children is long overdue.

## Appendix A

### A Note on Data

The New York State Education Department's (NYSED) Office of Information and Reporting Services (IRS) publishes a large amount of publicly available data on its website <http://www.p12.nysed.gov/irs/>

Statewide fiscal data is collected using the Annual Financial Report (Form ST-3). These reports are unaudited and open to the interpretation of individual districts on how their revenues and expenditures are coded. That being said, this is the most complete resource for comparing school district finances across New York State. The United States Census Bureau has a different method for collecting school finance information which is why there are discrepancies.

### The Children's Agenda

The Children's Agenda advocates for effective policies and drives evidence-based solutions for the health, education and success of children. We are especially committed to children who are vulnerable because of poverty, racism, health disparities and trauma.

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<sup>2</sup> Educational Finance Branch. (2017). *Public Education Finances: 2015*. Retrieved from U.S. Census Bureau: <https://www.census.gov/content/dam/Census/library/publications/2017/econ/g15-aspef.pdf>

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<sup>4</sup> Fiscal Analysis and Research Unit. (2017, July). *State Aid to Schools: A Primer*. Retrieved from New York State Education Department: <http://www.oms.nysed.gov/faru/PDFDocuments/Primer17-18A.pdf>

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<sup>6</sup> New York State Education Department. (2017, July). *Masterfile for 2015-16*

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<sup>12</sup> City of Rochester (2017, May 19) *City of Rochester Approved 2017-2018 Budget*. Available from City of Rochester: <http://www.cityofrochester.gov/citybudget/>

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<sup>15</sup> New York State Education Department. (2017, July). *Masterfile for 2015-16*

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