



Office of the NEW YORK STATE

COMPTROLLER

Fiscal Stress in School Districts

Common Themes for School Year 2018-19



New York State Comptroller
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JANUARY 2020

Overview

The State Comptroller's Fiscal Stress Monitoring System (FSMS) measures fiscal stress in school districts each year. The results for school districts in the 2018-19 school year show an uptick in the total number of districts in fiscal stress and a fair amount of change in the specific districts found to be in stress.

FSMS uses a set of six financial indicators that assess budgetary solvency by examining fund balance levels, operating deficits, cash-on-hand and reliance on short-term borrowing. Separately, six environmental indicators assess other important factors that are largely outside of the direct control of school officials, but may affect revenues or drive costs. These include poverty rate, tax base and budget support. The environmental indicators are helpful in providing additional context for the fiscal situation.

Each school district's fiscal stress score is based on its self-reported financial data. Environmental stress scores for each district use State and federal published data. Points are assigned based on the individual indicators and combined to calculate one overall fiscal stress score and one overall environmental score.¹ In each case, a higher score reflects a higher level of stress.

This report summarizes results of school district scores for the 2018-19 fiscal school year (SY) and compares results to SYs 2016-17 and 2017-18. The report reflects the seventh annual release of FSMS scores. FSMS covers 674 school districts in 57 counties, but excludes the New York City School District.² For more detailed information, visit: <http://www.osc.state.ny.us/localgov/fiscalmonitoring/help.htm>.

Quick Facts

33 school districts were found to be in one of the levels of fiscal stress, up from 26 in 2017-18.

95 percent of districts are not in a fiscal stress category.

50 percent of districts received no points on any of the six fiscal stress indicators.



High-need districts were more likely than other school districts to be in fiscal stress.



Within the high-need category, urban/suburban school districts were more likely to be in fiscal stress than rural districts.



Geographically, the Central New York and North Country regions had the largest proportions of districts in a fiscal stress category.



The Southern Tier was the only region with a decrease from the previous school year in the number of districts in fiscal stress.

Fiscal Stress Results

In SY 2018-19, 33 school districts (4.9 percent) were found to be in one of the levels of fiscal stress, up from 26 school districts in each of the prior two years. (See Figure 1.)

Eighteen of the districts on the SY 2018-19 stress list were new to the list; 15 remained in some level of stress since the prior year.

- The four districts in significant fiscal stress are: Fort Edward Union Free School District (Washington County), Northern Adirondack Central School District (Clinton County), Norwich City School District (Chenango County) and Wyandanch Union Free School District (Suffolk County). All but Northern Adirondack were in fiscal stress last year as well.
- Five districts were in moderate stress, compared to none in the prior year and seven in 2016-2017.
- Among those in a fiscal stress category, the majority (24 out of 33, or 3.6 percent of all districts) were scored as susceptible to fiscal stress, the least severe category of stress.
- 50 percent of districts scored in SY 2018-19 received no points on all six fiscal stress indicators, compared to 52 percent in SY 2017-18.

Figure 1

School Districts by Fiscal Stress Designation

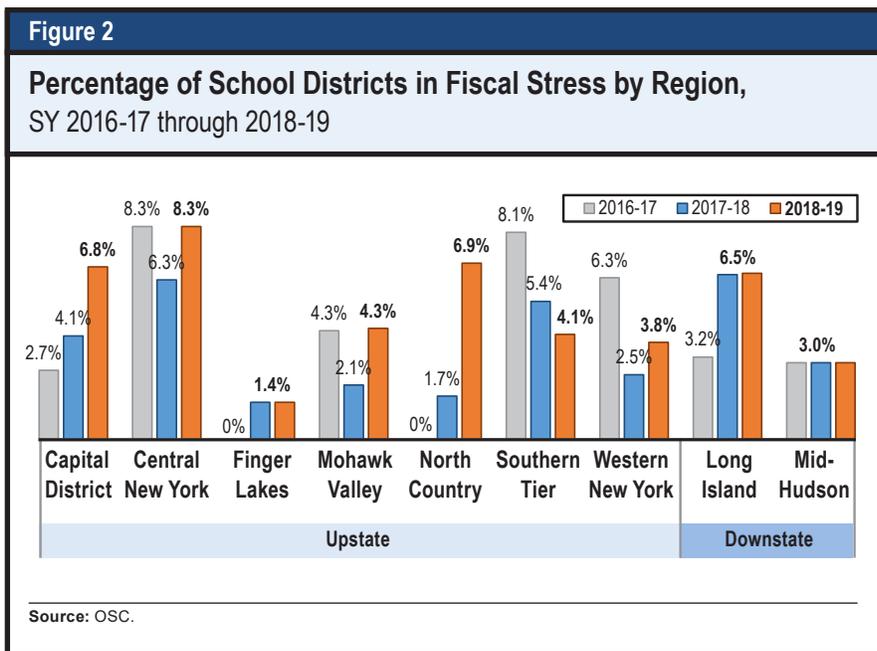
	SY 2016-2017		SY 2017-2018		SY 2018-2019	
	Number	Percentage	Number	Percentage	Number	Percentage
Districts in Fiscal Stress						
Significant	2	0.3%	5	0.7%	4	0.6%
Moderate	7	1.0%	0	0.0%	5	0.7%
Susceptible	17	2.5%	21	3.1%	24	3.6%
Subtotal	26	3.9%	26	3.9%	33	4.9%
Other Districts						
No Designation	648	96.1%	646	95.8%	637	94.5%
Not Filed	0	0.0%	2	0.3%	4	0.6%
Total	674	100.0%	674	100.0%	674	100.0%

Source: Office of the State Comptroller (OSC).

Regional Trends

Although the number of districts in stress was up for the State overall, not every region saw an increase. Five of the State's nine regions had a larger percentage of stressed districts in 2018-19 than in 2017-18, and two have experienced an ongoing increase in the percentage of schools in fiscal stress over the last three years (Capital District and the North Country). The Southern Tier was the only region where the rate of fiscal stress decreased each year since SY 2016-17.

The Central New York and North Country regions had the highest percentages of districts in stress in 2018-19. The North Country also had the largest increase in the percentage of fiscally stressed districts over 2017-18. (See Figure 2.)



Financial Indicators

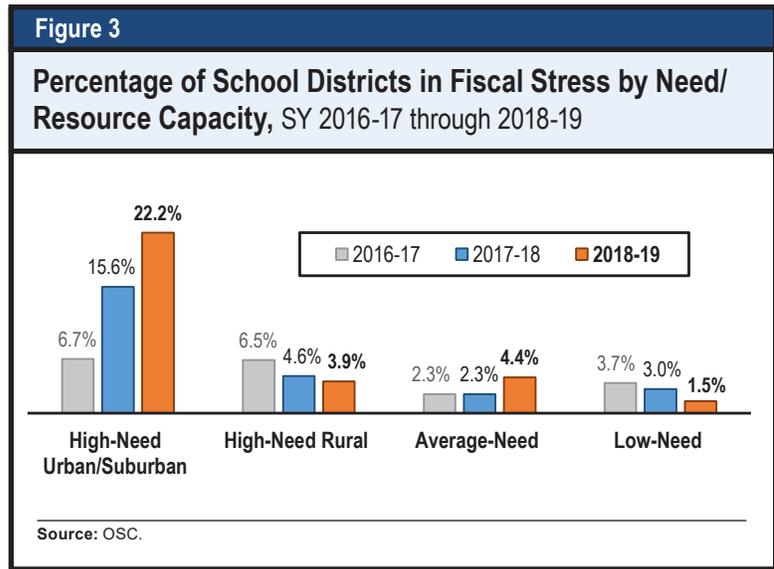
The FSMS financial indicators are meant to evaluate fiscal stress from a budgetary solvency perspective. School district officials receive a detailed breakdown of their financial score, which is publicly available and based on self-reported data. The indicators:

- Show the district's ability to cover future revenue shortfalls and expenditure overruns by measuring the accumulated fund balance.
- Review the results of operations to see whether the district had enough revenue to meet expenditures in the year, and note recurring operating deficits, which can reveal structural imbalance in the budget.
- Measure whether the district has enough cash on hand to pay its bills.
- Analyze reliance on short-term debt for cash flow purposes by the amount borrowed and by new or large changes in the amount borrowed from year to year.

By Need/Resource Capacity

While the overall number of school districts in fiscal stress is small, high-need urban-suburban districts are more likely to be in stress than high-need rural, average- or low-need districts.³ (See Figure 3.)

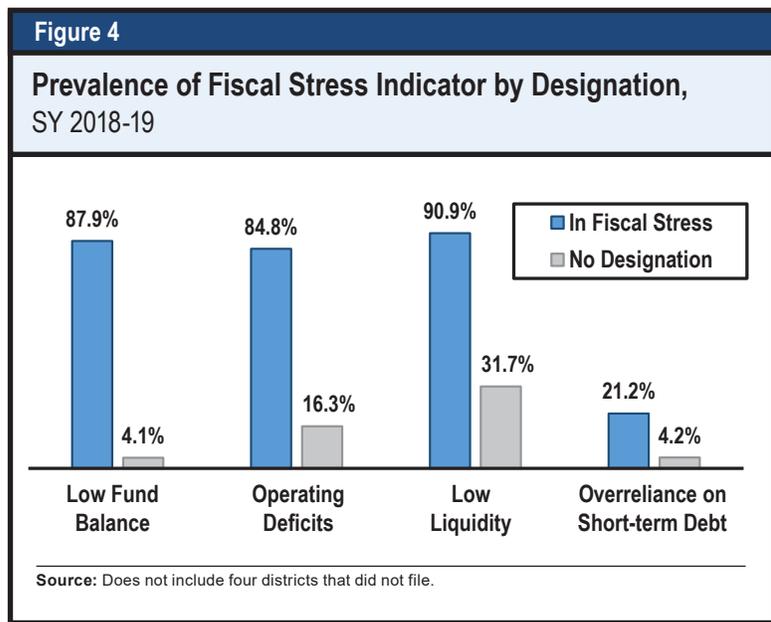
- The increase in the number of urban-suburban high-need school districts in stress was particularly significant over the last three years, with 22.2 percent designated in stress in SY 2018-2019, up from 15.6 percent in SY 2017-18 and 6.7 percent in SY 2016-17.
- The percentage of rural high-need districts in fiscal stress slightly decreased over the last three years.
- The percentage of average-need districts in stress nearly doubled, from 2.3 percent in SY 2016-17 and SY 2017-18 to 4.4 percent in SY 2018-19.
- Only two low-need districts (1.5 percent) were designated as being in fiscal stress in SY 2018-19, both on Long Island.



Common Themes

Figure 4 shows which indicators were most commonly found among school districts in stress. All stressed districts scored poorly on multiple indicators.

- Nearly 88 percent of the districts in stress had low fund balances and 85 percent had chronic operating deficits.
- Over 90 percent of stressed districts had low liquidity, also known as “weak cash position.” This indicates that there may not be enough cash on hand to cover operating costs.
- Over one-fifth of stressed districts have an increased reliance on short-term borrowing for cash flow purposes.



Areas of Concern

Districts that remain fiscally stressed or susceptible to stress for years are of particular concern, as are districts that have recently had a dramatic increase in their stress score and those that do not file in time to receive a score at all.

Chronic Fiscal Stress

Fifteen fiscally stressed school districts in SY 2018-19 were also in stress in SY 2017-18, and eight of those were in stress for all three years. Norwich (Chenango County) and Wyandanch (Suffolk County) have remained in significant fiscal stress for the last two years. (See Figure 5.)

Figure 5

School Districts in Fiscal Stress for Three Years

School District	Region	County	Fiscal Stress Designation		
			SY 2016-17	SY 2017-18	SY 2018-19
Cortland City	Central New York	Cortland	Moderate	Susceptible	Moderate
Eldred Central	Mid-Hudson Region	Sullivan	Significant	Significant	Moderate
Hudson Falls Central	Capital District	Washington	Susceptible	Susceptible	Susceptible
Marathon Central	Central New York	Cortland	Susceptible	Susceptible	Susceptible
Norwich City	Southern Tier	Chenango	Moderate	Significant	Significant
Oxford Academy & Central School District	Southern Tier	Chenango	Susceptible	Susceptible	Susceptible
Schenevus Central	Southern Tier	Otsego	Moderate	Significant	Susceptible
Wyandanch Union Free	Long Island	Suffolk	Susceptible	Significant	Significant

Source: OSC.

Did Not File

Four districts did not file their required annual financial reports in SY 2018-19, compared to only two that failed to file in SY 2017-18 and none in SY 2016-17. Districts that did not file were: Afton Central School District (Chenango County), Inlet Common School District (Hamilton County), Keene Central School District (Essex County) and Wainscott Common School District (Suffolk County). Although three of these districts had received a score of no designation in the previous year, not filing financial information reduces transparency at the very least and may even jeopardize State aid to the districts.

The FSMS designation changed for **35** districts in 2018-19.

- **17** moved from no designation into a stress category.
- **3** moved to a higher stress category.
- **3** moved to a lower stress category.
- **11** moved off the stress list.
- **1** moved into a stress category after not filing last year.

OSC could not score the four school districts that did not file.

Increasing Stress Scores

Eleven districts had a substantial increase in their fiscal stress scores: both Fort Edward and Northern Adirondack moved to “significant” fiscal stress from “susceptible” and “no designation” categories, respectively, while Wantagh, Hempstead and Cortland each moved into a “moderate” stress category. The remaining seven moved into the “susceptible” category from no designation in SY 2017-2018. Each of the districts found to be susceptible went from having virtually no sign of fiscal stress last year to being in a stress designation in SY 2018-19.

On the other hand, three districts had large score decreases. Schenevus of Otsego County fell 35 percentage points from “significant” stress to “susceptible” to stress in the span of one year. (See Figure 6.)

Figure 6						
Large Changes in Fiscal Stress Scores, SY 2017-18 through 2018-19						
(Change of 25 or More Percentage Points; Increases Indicate Increasing Fiscal Stress)						
School District	County	Fiscal Stress Designation				Percentage Point Change, SY 2017-18 to 2018-19
		SY 2017-18	Score	SY 2018-19	Score	
Major Increases in Fiscal Stress Score						
Fort Edward Union Free	Washington	Susceptible	26.7	Significant	80.0	53.3
Northern Adirondack Central	Clinton	No Designation	18.3	Significant	66.7	48.4
Wantagh Union Free	Nassau	No Designation	6.7	Moderate	55.0	48.3
Mount Vernon	Westchester	No Designation	0.0	Susceptible	35.0	35.0
Hempstead Union Free	Nassau	Susceptible	28.3	Moderate	61.7	33.4
Cohoes City	Albany	No Designation	10.0	Susceptible	41.7	31.7
Sauquoit Valley Central	Oneida	No Designation	8.3	Susceptible	40.0	31.7
Weedsport Central	Cayuga	No Designation	10.0	Susceptible	38.3	28.3
Canton Central	St. Lawrence	No Designation	0.0	Susceptible	26.7	26.7
Cheektowaga Central	Erie	No Designation	6.7	Susceptible	31.7	25.0
Cortland City	Cortland	Susceptible	35.0	Moderate	60.0	25.0
Major Decreases in Fiscal Stress Score						
Eastport-South Manor Central	Suffolk	Susceptible	31.7	No Designation	6.7	-25.0
Eldred Central	Sullivan	Significant	73.3	Moderate	46.7	-26.6
Schenevus Central	Otsego	Significant	66.7	Susceptible	31.7	-35.0
Source: OSC.						

Environmental Stress Results

Environmental indicators measure other local challenges that school district officials must navigate on an ongoing basis. These factors are largely outside of districts’ control, and they can drive additional costs or negatively impact a district’s ability to raise the local revenues that are needed to fund programs. (For more detail on environmental stress indicators, see text box below.)

In SY 2018-19, 74 school districts, or 11 percent, were designated in environmental stress, slightly fewer than in the previous years. (See Figure 7.) Although many school districts have some environmental risk factors, those in the stress categories generally have several at once, which may make fiscal stress harder to avoid.

Figure 7

School Districts by Environmental Stress Designation

	SY 2016-2017		SY 2017-2018		SY 2018-2019	
	Number	Percentage	Number	Percentage	Number	Percentage
Districts in Environmental Stress						
Significant	13	1.9%	9	1.3%	7	1.0%
Moderate	10	1.5%	13	1.9%	17	2.5%
Susceptible	52	7.7%	56	8.3%	50	7.4%
Subtotal	75	11.1%	78	11.6%	74	11.0%
Other Districts						
No Designation	599	88.9%	594	88.1%	596	88.4%
Not Filed	0	0.0%	2	0.3%	4	0.6%
Total	674	100.0%	674	100.0%	674	100.0%

Source: OSC.

Environmental Indicators

FSMS includes a set of environmental indicators that determine a companion score for each district. School district officials receive detailed breakdowns of their environmental scores, which offer some context for evaluating the full breadth of challenges that school districts face. The environmental indicators include measures of:

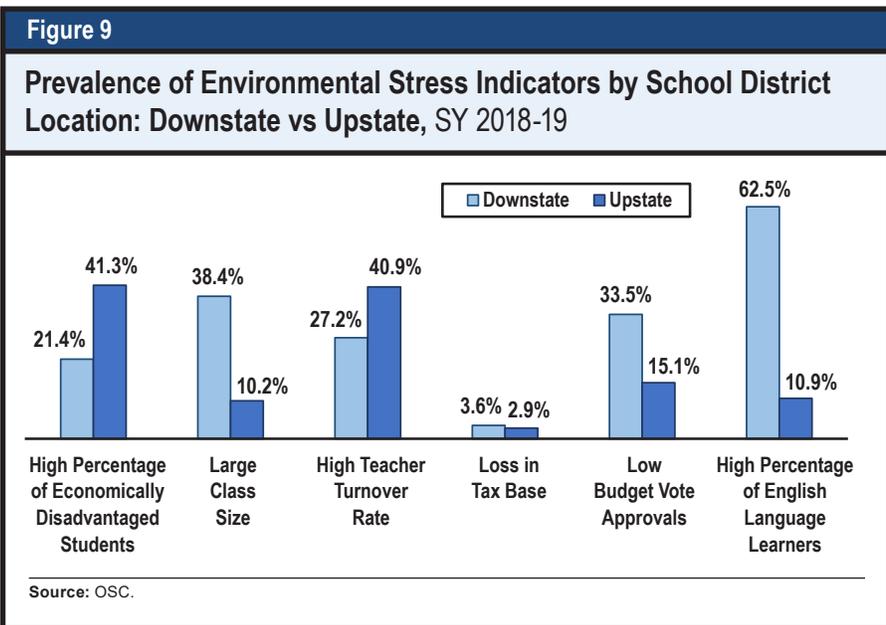
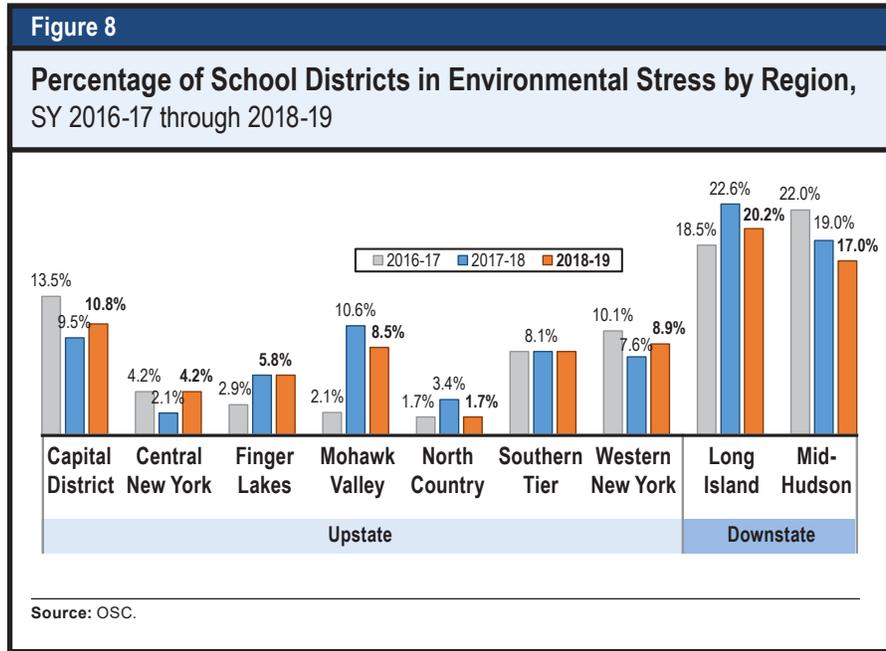
- Economically disadvantaged students;
- Class sizes;
- Turnover rates of teachers;
- Changes in property values;
- School budget vote approvals; and
- Percentage of English Language Learners.

Regional Breakdown

Downstate school districts were more likely to show signs of environmental stress than those upstate, which is the same trend as in SY 2016-17 and SY 2017-18. Overall, 18.8 percent of downstate districts scored high enough to be in one of the three categories, compared to 7.1 percent of upstate districts. Among the upstate regions, the Capital District (10.8 percent) and Western New York (8.9 percent) had the highest percentages of districts in environmental stress. (See Figure 8.)

Downstate school districts also face a different set of environmental challenges compared to their upstate counterparts. (See Figure 9.)

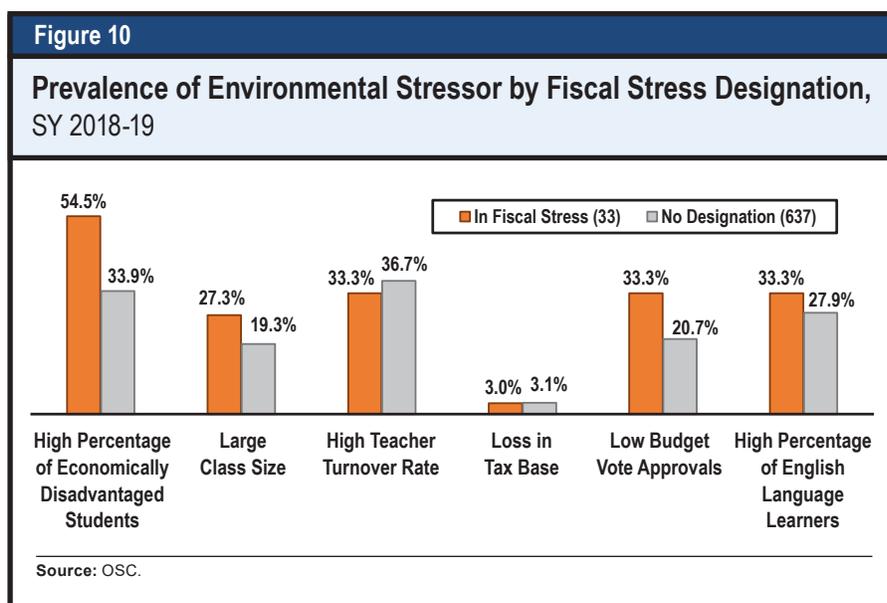
- Downstate districts were much more likely to have larger class sizes, lower budget vote approval and higher rates of English language learners compared to upstate districts.
- Upstate school districts were nearly twice as likely to have a high percentage of economically disadvantaged students compared to downstate districts and tended to have higher rates of teacher turnover.



Relationship of Environmental Stress to Fiscal Stress

Examining the relationship between the environmental indicators and fiscal stress statewide, fiscally stressed school districts were more likely to have:

- High percentages of economically disadvantaged students;
- Large class sizes; and
- Low levels of community support for the school district's budget. (See Figure 10.)



Conclusion

Of the 674 school districts in the State, 670 filed in time for a fiscal stress evaluation. Of those evaluated for fiscal stress, 94.5 percent were not classified in fiscal stress, indicating that school districts are generally managing their challenges in ways that avoid fiscal stress. However, the number of districts that were in stress increased from 26 in 2017-18 to 33 in 2018-19. Roughly a quarter of these could be considered in chronic stress, having been designated as stressed for three years. Additionally, the high and increasing rates of fiscal stress among the State's high-need urban-suburban school districts is another area of concern for State policy makers.

School district officials, board members and residents can use the interactive [Fiscal Stress Monitoring System Self-Assessment Tool](#) to look at their own scores and view peer group comparisons for each of the indicators.⁴ Officials in stressed districts should pay particular attention, but officials of all school districts should continue to analyze their indicators and scores to see how their budgeting decisions affect their ability to meet future financial obligations. All stakeholders, including policy makers and taxpayers, should consider fiscal condition as they make decisions about the use of public resources to address educational needs.

Notes

- ¹ For details on the FSMS indicators and scoring, see OSC, *Fiscal Stress Monitoring System Manual* (November 2017), available at: <http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/system-manual.pdf>.
- ² The New York City School District, due to its unique financial structure, is excluded from FSMS, as are the 10 school districts created by a special act of the New York State Legislature to provide students placed in certain residential facilities access to a public education. This report also excludes the “Big Four” City School Districts of Buffalo, Rochester, Syracuse and Yonkers. Unlike other school districts, the districts in the Big Four cities do not have separate authority to levy taxes and are instead fiscally dependent on their cities to levy taxes for school purposes. School district information for these fiscally dependent districts will be incorporated into the scoring for their respective cities.
- ³ The need/resource capacity categories used in this report were developed by the New York State Education Department and represent a district’s ability to meet student needs using local capacity. Thus, a “high need” district would have more children needing free or reduced-price lunches and/or assistance learning English as a second language compared with its community’s wealth, while a “low need” district would have relatively few children with such needs and a wealthier local tax base. For more information on the definitions of these categories, see www.p12.nysed.gov/irs/accountability/2011-12/NeedResourceCapacityIndex.pdf.
- ⁴ See OSC, *Fiscal Stress Monitoring System Search and Self-Assessment Tool*, available at: www1.osc.state.ny.us/localgov/fiscalmonitoring/fsms.cfm.

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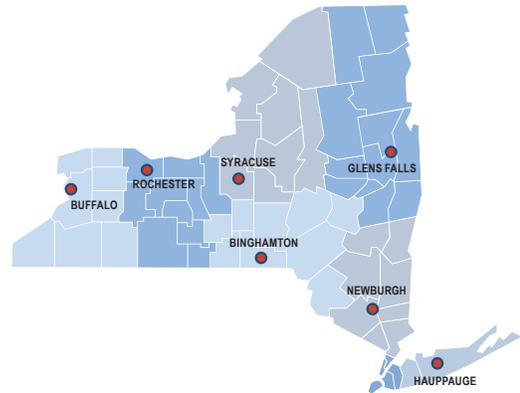
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