

# New York State Office of the State Comptroller

Thomas P. DiNapoli • State Comptroller



## Fiscal Stress Monitoring System

January 2015

### School District Fiscal Stress Summary Results: 2013 to 2014

The Office of the State Comptroller's (OSC's) Fiscal Stress Monitoring System (FSMS) continues to evaluate the presence of fiscal stress in school districts across the State, as well as environmental stressors that may help explain some of the additional challenges that exist. The primary purpose of this initiative is to inform district officials, taxpayers and policy makers about school districts in stress to stimulate discussion about what actions may be needed to avoid and/or mitigate the effects of an impending fiscal crisis.<sup>1</sup>

The second-year results for school districts show little change in the total number of districts in each of the three fiscal stress categories. However, there has been a fair amount of change among the specific districts in these categories.

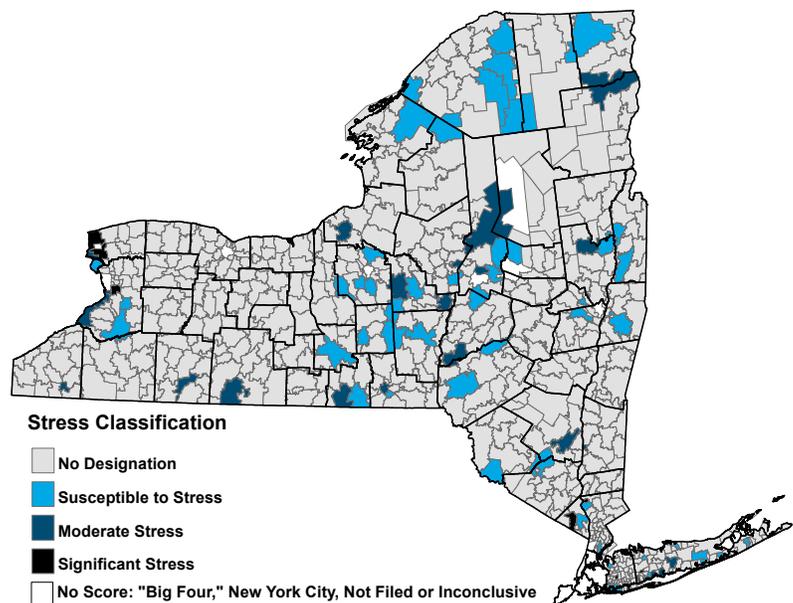
This report summarizes the results for all districts that have been scored, focusing on common themes and trends.

#### School Districts by Fiscal Stress Designation

	SY 2012-13		SY 2013-14	
	Number	Percentage	Number	Percentage
<b>Districts in Fiscal Stress</b>				
<b>Significant Fiscal Stress</b>	12	1.8%	10	1.5%
<b>Moderate Fiscal Stress</b>	23	3.4%	27	4.0%
<b>Susceptible to Fiscal Stress</b>	52	7.7%	53	7.9%
<b>Subtotal</b>	<b>87</b>	<b>12.9%</b>	<b>90</b>	<b>13.4%</b>
<b>Other Districts</b>				
<b>No Designation</b>	587	87.1%	582	86.6%
<b>Total</b>	<b>674</b>	<b>100.0%</b>	<b>672</b>	<b>100.0%</b>

Source: Office of the State Comptroller (OSC). Excludes districts without fiscal stress scores. The figures for 2013 exclude two districts without fiscal stress scores because data were not available. The figures for 2014 exclude four districts that dissolved as well as the two new districts that resulted from their consolidation.

#### School Districts in Fiscal Stress 2014



Source: OSC.

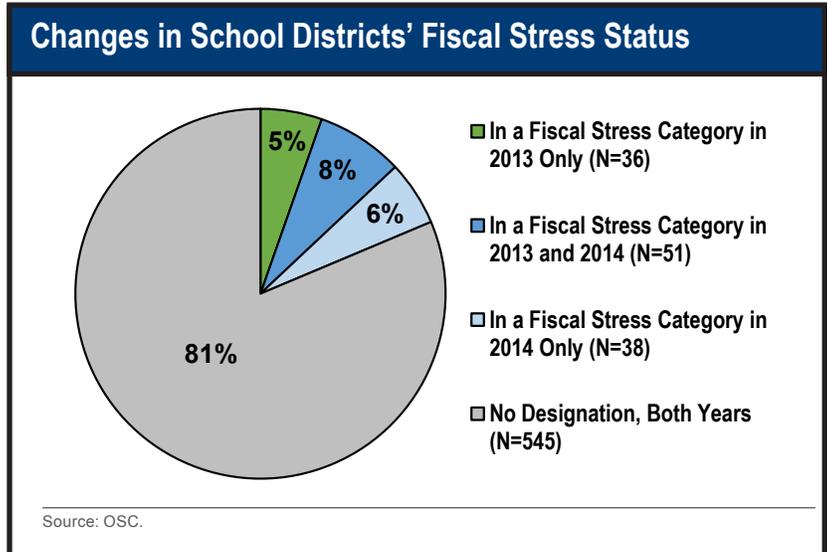
## Overall Findings

In both school year (SY) 2012-13 and SY 2013-14, approximately 13 percent of school districts were experiencing some level of fiscal stress based on the FSMS indicators: fewer than 2 percent were experiencing significant fiscal stress, 3 to 4 percent were in moderate fiscal stress (3.4 percent in SY 2012-13 and 4.0 percent in SY 2013-14), and approximately 8 percent were susceptible to fiscal stress.

The districts experiencing fiscal stress in SY 2013-14 are not concentrated in a particular region. Rather, they are spread across the State. Since the “Big Four” city school districts (Buffalo, Rochester, Syracuse and Yonkers) are “fiscally dependent” on the cities in which they are located, their financial results are incorporated into their cities’ fiscal stress scores, and therefore they do not receive a separate score.

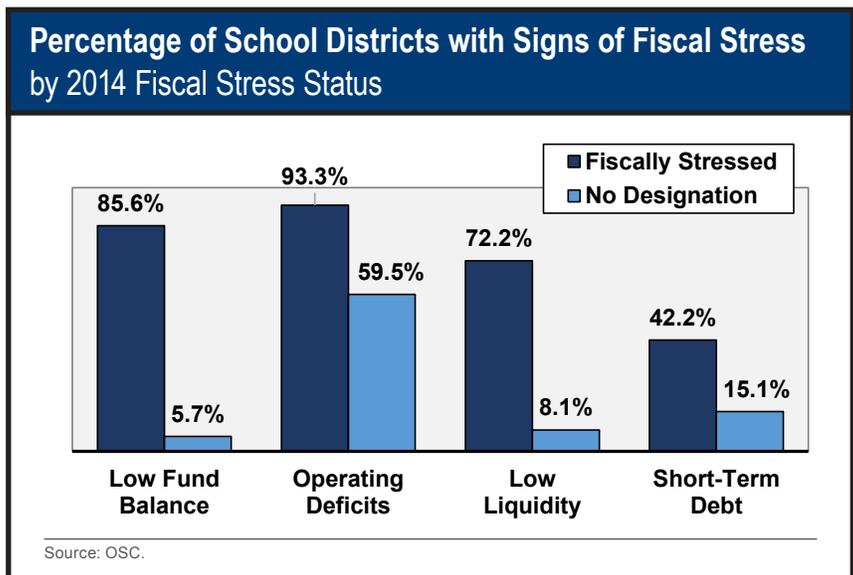
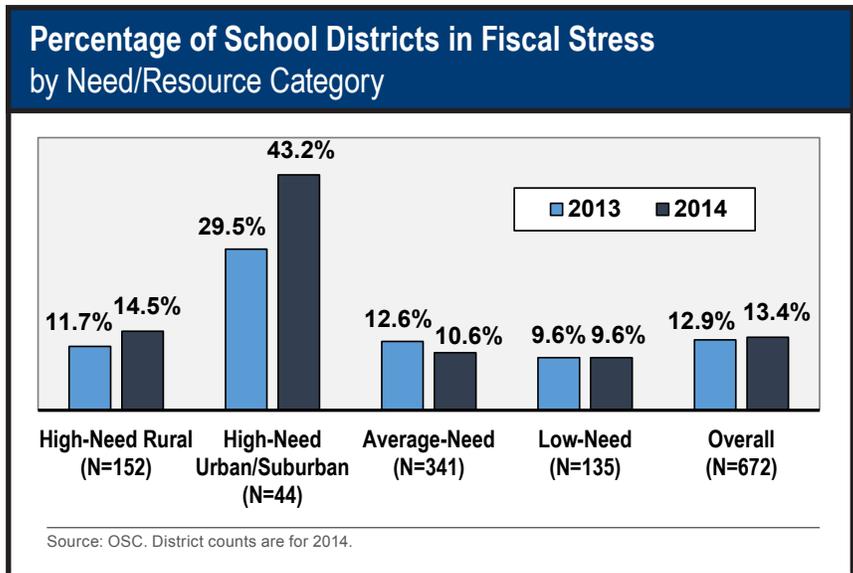
Interestingly, although the total number of districts in a stress category changed little, the specific districts that received a fiscal stress designation changed quite a bit. Most districts (81 percent) were not in a fiscal stress category in either SY 2012-13 or SY 2013-14. Eight percent of districts were in a stress category in both years. Another 5 percent were in a stress category in SY 2012-13, but not in SY 2013-14, and 6 percent were in a stress category in SY 2013-14, but not in SY 2012-13.

The largest increase in fiscally stressed school districts occurred in the “high-need urban/suburban” category of districts.<sup>2</sup> Already in SY 2012-13, high-need urban/suburban districts were more than twice as likely as other districts to be placed in a fiscal stress category. In SY 2013-14, they were three to four times more likely than districts in other need/resource categories to be designated. Because the high-need urban/suburban category is relatively small with only 44 districts, an increase of just six districts in the category accounts for the large jump in the percentage of districts in fiscal stress.



The share of high-need rural districts in some level of fiscal stress increased by approximately 3 percentage points (representing a four-district increase from SY 2012-13 to SY 2013-14 ). Slightly fewer average-need districts were in stress in SY 2013-14 compared to SY 2012-13 (36 or 10.6 percent compared to 43 or 12.6 percent), while the share of low-need districts in stress remained unchanged at 9.6 percent. With just two years' worth of data, it is difficult to determine if the increase in fiscal stress among high-need districts is a sign of broadly worsening conditions for these districts.

As expected, based on the weights assigned to the fiscal indicators for scoring, school districts in fiscal stress are far more likely than others to experience dangerously low or nonexistent fund balances. Nearly 86 percent of districts in a fiscal stress category received points on one or both of the fund balance indicators compared to only 6 percent of districts with no designation. Districts in a fiscal stress category are also far more likely to have a low cash ratio and/or a low amount of cash at year end as a percentage of their average monthly expenditures. And they are nearly three times more likely to rely on short-term debt than other districts. These results for SY 2013-14 are very similar to those for the prior year.



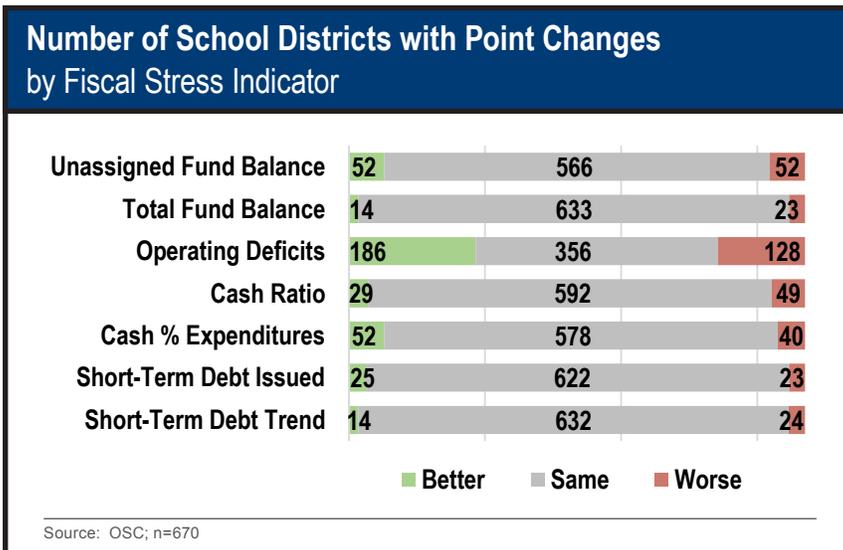
## Shifts in Fiscal Stress Indicator Scores

The year-over-year change in scores between SY 2012-13 and SY 2013-14 is worth examining. There are seven different fiscal stress indicators. On the whole, most districts had no point changes on any given indicator. For example, 566 districts had no change in fiscal stress score on the unassigned fund balance indicator between SY 2012-13 and SY 2013-14, while 52 received more points in SY 2013-14 (a sign of increasing fiscal stress) and 52 received fewer points on that indicator (a sign of decreasing fiscal stress).

However, one indicator in particular—the operating deficit—saw substantial changes in the FSMS points assigned compared to the previous year: 128 districts (19 percent) received a higher FSMS score on this indicator, while 186 districts (28 percent) scored lower. Changes in scores for this indicator contributed to changes in districts’ overall levels of fiscal stress, although by itself the operating deficit indicator would not cause a district to receive a fiscal stress designation.

Those districts with large point changes on a single heavily weighted indicator or changes on multiple indicators did experience notable shifts in their fiscal stress status. Of the 670 districts with a FSMS rating for both SY 2012-13 and SY 2013-14, 99 (15 percent) experienced a shift in their fiscal stress designation. Of these, 52 (8 percent of all rated districts) saw an improvement in their stress designation, while 47 (7 percent of districts) moved to a higher level of fiscal stress. Some of the shifts were substantial.

A majority of districts with large increases (25 percentage points or more) in their fiscal stress scores are high-need districts, while most of the districts with large decreases in fiscal stress scores are average-need districts.



## School District Fiscal Stress Summary Results: 2013 to 2014

### Districts with Large Changes in Fiscal Stress from 2013 to 2014

(Change of 25 Percentage Points or More in Fiscal Stress Score; Increases Indicate Increasing Fiscal Stress)

School District	County	Need/Resource Category	2013 Financial Designation	2014 Financial Designation	% Point Change in Fiscal Stress Score
<b>Major Increases in Fiscal Stress Score</b>					
Hempstead Union Free School District	Nassau	High-Need Urban/Suburban	No Designation	Significant Fiscal Stress	65.0%
Peekskill City School District	Westchester	High-Need Urban/Suburban	No Designation	Significant Fiscal Stress	58.3%
Fulton City School District	Oswego	High-Need Urban/Suburban	No Designation	Moderate Fiscal Stress	53.3%
Wyandanch Union Free School District	Suffolk	High-Need Urban/Suburban	Susceptible to Fiscal Stress	Significant Fiscal Stress	53.3%
Johnson City Central School District	Broome	High-Need Urban/Suburban	No Designation	Moderate Fiscal Stress	53.3%
Glens Falls Common School District	Warren	High-Need Urban/Suburban	No Designation	Moderate Fiscal Stress	50.0%
Jamestown City School District	Chautauqua	High-Need Urban/Suburban	No Designation	Moderate Fiscal Stress	46.7%
Herkimer Central School District	Herkimer	High-Need Rural	No Designation	Moderate Fiscal Stress	45.0%
Fort Edward Union Free School District	Washington	Average-Need	No Designation	Moderate Fiscal Stress	45.0%
Tioga Central School District	Tioga	High-Need Rural	No Designation	Moderate Fiscal Stress	40.0%
East Rockaway Union Free School District	Nassau	Average-Need	No Designation	Moderate Fiscal Stress	36.7%
Onondaga Central School District	Onondaga	Average-Need	No Designation	Susceptible to Fiscal Stress	36.7%
Brasher Falls Central School District	St. Lawrence	High-Need Rural	No Designation	Susceptible to Fiscal Stress	35.0%
Colton-Pierrepont Central School District	St. Lawrence	Average-Need	No Designation	Susceptible to Fiscal Stress	31.7%
Parishville-Hopkinton Central School District	St. Lawrence	High-Need Rural	No Designation	Susceptible to Fiscal Stress	31.7%
Indian River Central School District	Jefferson	High-Need Rural	No Designation	Susceptible to Fiscal Stress	28.3%
Poland Central School District	Herkimer	High-Need Rural	No Designation	Moderate Fiscal Stress	28.3%
<b>Major Decreases in Fiscal Stress Score</b>					
Mount Morris Central School District	Livingston	High-Need Rural	Moderate Fiscal Stress	No Designation	-25.0%
Oswego City School District	Oswego	Average-Need	Susceptible to Fiscal Stress	No Designation	-26.7%
Wappingers Central School District	Dutchess	Average-Need	Susceptible to Fiscal Stress	No Designation	-28.3%
Lafayette Central School District	Onondaga	Average-Need	Moderate Fiscal Stress	Susceptible to Fiscal Stress	-28.3%
Holland Central School District	Erie	Average-Need	Moderate Fiscal Stress	No Designation	-28.3%
Tupper Lake Central School District	Franklin	Average-Need	Significant Fiscal Stress	Susceptible to Fiscal Stress	-31.7%
Gananda Central School District	Wayne	Average-Need	Moderate Fiscal Stress	No Designation	-31.7%
Hudson City School District	Columbia	High-Need Rural	Susceptible to Fiscal Stress	No Designation	-31.7%
Maine-Endwell Central School District	Broome	Average-Need	Moderate Fiscal Stress	No Designation	-33.3%
Elmira City School District	Chemung	High-Need Urban/Suburban	Susceptible to Fiscal Stress	No Designation	-41.7%
General Brown Central School District	Jefferson	Average-Need	Significant Fiscal Stress	No Designation	-48.3%
Kiryas Joel Village Union Free School District	Orange	High-Need Urban/Suburban	Significant Fiscal Stress	Susceptible to Fiscal Stress	-50.0%

Source: OSC.

### Score Increases

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Seventeen districts had increases of 25 percentage points or more in their total fiscal stress scores. The most dramatic increase was in the Hempstead Union Free School District on Long Island, which saw a 65 percentage point increase in its fiscal stress score and went from no designation in SY 2012-13 to significant fiscal stress in SY 2013-14. The Peekskill City School District in Westchester County also moved from no designation in SY 2012-13 to significant fiscal stress in SY 2013-14, with a jump of 58 percentage points in its fiscal stress score. Other districts with large increases in fiscal stress (50 or more percentage points) were: Fulton City School District (Oswego County), Wyandanch Union Free School District (Suffolk County), Johnson City Central School District (Broome County), and Glens Falls Common School District (Warren County).

In a number of cases, operating deficits and dwindling fund balances drove these sharp increases in fiscal stress scores. In a few instances, these were due to transfers of funds from a district's general fund to its capital project fund, resulting in a planned deficit that was not necessarily problematic. In several cases, however, general fund operating deficits were either unplanned or larger than anticipated. One district, for example, had a planned operating deficit that subsequently swelled due to expenditures for refunds arising from tax certiorari proceedings. The district then had to issue a bond anticipation note to finance the refunds.

### Score Decreases

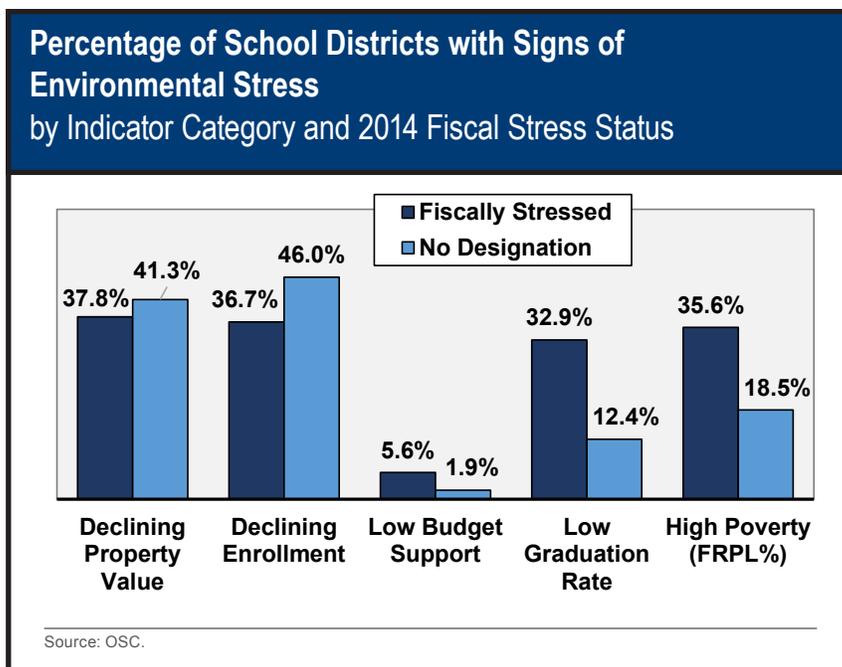
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Twelve districts had a decrease of 25 percentage points or more in their total fiscal stress score. Only one district had a decrease in fiscal stress of 50 or more percentage points: Kiryas Joel Village Union Free School District (Orange County), which went from significant fiscal stress in SY 2012-13 to susceptible to fiscal stress in SY 2013-14. Other districts with decreases of 30 or more percentage points in their fiscal stress scores are: General Brown Central School District (Jefferson County), Elmira City School District (Chemung County), Maine-Endwell Central School District (Broome County), Hudson City School District (Columbia County), Gananda Central School District (Wayne County), and Tupper Lake Central School District (Franklin County). All of these districts moved to a lower category of fiscal stress.

Many districts with dramatic improvements in their fiscal stress scores managed to realize operating surpluses, which boosted performance on the fund balance indicators as well. The underlying reasons for the improvement varied: some had an increase in payments in lieu of taxes (PILOTs) or State aid, while one realized savings in medical benefits and another showed improvement after experiencing unusually high expenditures the previous year due to an emergency expenditure.

## School District Environmental Indicators

The FSMS also includes a set of environmental indicators that measure factors that may contribute to fiscal stress or create other challenges for school districts. The six environmental indicators include the trend in district property value (taxable full value), the trend in enrollment, two measures for budget vote results, the graduation rate (compared to the average rate for all districts), and a measure of poverty (the percentage of students eligible for free or reduced-price lunch). Compared to last year, fewer districts experienced low voter support for school budgets and declining enrollment.



Districts in fiscal stress are more than twice as likely as other districts to have low graduation rates and nearly twice as likely to have high poverty—and these disparities are more pronounced than last year.

Examining the results by need/resource category reveals that these disparities are particularly evident in the high-need urban/suburban districts, where districts in a fiscal stress category had lower graduation rates than districts with no designation: only two-thirds (67 percent) of students in high-need urban/suburban districts graduated on schedule compared to nearly three-quarters (74 percent) for high-need urban/suburban districts with no designation. High-need urban/suburban districts tend to be larger, in terms of enrollment, than other districts and have higher levels of poverty, all of which underscores the need to continue to identify and implement effective strategies to improve student outcomes in these districts.

As a group, the high-need urban/suburban districts also receive less support from residents on budget votes than other districts. However, districts across all fiscal stress statuses and need/resource categories showed improvement in voter support for school budgets. The tax cap, by generally limiting the amounts by which school districts may increase their tax levies, may account for some of this improvement.

Low-need districts across all fiscal stress categories are experiencing decreases in taxable full property value in contrast to the trend in other districts. As the property tax base shrinks, these relatively wealthy districts may need to raise tax rates in order to maintain existing revenue levels.

# School District Fiscal Stress Summary Results: 2013 to 2014

## Selected Environmental Indicators by Need/Resource Category and 2014 Fiscal Stress Status

	High-Need Rural			High-Need Urban/Suburban			Average-Need			Low-Need			
	Median, Fiscally Stressed	Median, No Designation	Median, All Districts	Median, Fiscally Stressed	Median, No Designation	Median, All Districts	Median, Fiscally Stressed	Median, No Designation	Median, All Districts	Median, Fiscally Stressed	Median, No Designation	Median, All Districts	
Property Value	2013 Property Value per Pupil	\$362,038	\$356,424	\$356,424	\$389,269	\$376,879	\$376,879	\$566,844	\$539,958	\$540,305	\$979,877	\$1,266,202	\$1,201,357
	4-yr. Avg. Change in Property Value (2009-2013)	1.9%	2.2%	2.1%	-0.2%	-2.9%	-0.9%	-0.1%	0.6%	0.5%	-4.8%	-4.7%	-4.8%
Budget Votes	% Yes on First Budget Vote (2015)	75.4%	74.8%	74.9%	67.1%	69.8%	68.8%	72.6%	73.0%	72.9%	73.6%	72.9%	72.9%
	4-yr. Avg. Change in Yes % (2011-2015)	2.7%	2.1%	2.2%	3.3%	2.2%	2.5%	3.2%	2.5%	2.5%	3.0%	3.0%	3.0%
Enrollment	2014 Enrollment	781	798	798	3,599	4,342	4,021	2,190	1,324	1,390	2,460	2,453	2,460
	4-yr. Avg. Change in Enrollment (2010-2014)	-1.7%	-1.3%	-1.3%	0.2%	-0.2%	0.0%	-1.3%	-1.6%	-1.6%	-1.5%	-1.0%	-1.0%
Measures of Need	3-yr. Avg. Free/Reduced Lunch %	54.2%	54.8%	54.8%	74.7%	64.0%	68.1%	35.3%	36.2%	36.2%	9.7%	8.5%	8.6%
	2013 Graduation Rate	83.5%	83.1%	83.3%	66.8%	73.9%	73.0%	87.6%	87.9%	87.9%	94.0%	94.9%	94.9%
Number in Group		22	130	152	19	25	44	36	305	341	13	122	135

Note: Data from the New York State Education Department, The Department of Taxation and Finance, and the U.S. Census Bureau. Not all districts have data for all of the environmental indicators.

## Notes

<sup>1</sup> For details on the FSMS, see OSC, "Fiscal Stress Monitoring System," April 2014.

Available at: [www.osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring.pdf](http://www.osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring.pdf).

See also the FSMS website: [www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm).

<sup>2</sup> The need/resource 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. For information on the definitions of these categories, see: <http://www.p12.nysed.gov/irs/accountability/2011-12/NeedResourceCapacityIndex.pdf>



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