



New York State Comptroller
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Fiscal Stress Monitoring System

School Districts: Fiscal Year 2022-23 Results

January 2024

Overview

The Office of the New York State Comptroller’s (OSC) **Fiscal Stress Monitoring System (FSMS)** calculates and publishes a fiscal stress score annually for each county, city, town, village and school district in the State that filed its annual financial report to OSC in time to be scored. Scores are based on this data and reflect each local government’s ability to maintain budgetary solvency. Points are assigned based on a set of individual indicators and combined to calculate one overall fiscal stress score, with a higher score reflecting a higher level of stress. Starting at a threshold of 25 points, a school district can fall into one of three stress categories: susceptible to fiscal stress, moderate fiscal stress or significant fiscal stress. Scores below 25 result in a status of “no designation.” This snapshot highlights the results for all school districts that filed reports for school year (SY) 2022-23.¹

As Figure 1 shows, 16 school districts are designated as being in some level of fiscal stress for SY 2022-23 (2.4 percent of the 669 districts that filed their annual financial data in time to receive a score). This is two more than in SY 2021-22, when 14 school districts had a fiscal stress designation.²

Only three school districts were designated in significant fiscal stress, the highest stress designation. Amityville Union Free School District (Suffolk County) had no designation in SY 2021-22, and its score increased by 50 points in SY 2022-23, resulting in a designation of significant fiscal stress. Mount Vernon School District (Westchester County), which had a significant fiscal stress designation for SY 2021-22, saw an increase of 1.6 points in SY 2022-23. New Suffolk Common School District (Suffolk County) was designated in moderate fiscal stress for SY 2021-22, and a 10-point increase in SY 2022-23 moved that district into the significant fiscal stress category.³

FIGURE 1
School District Fiscal Stress Designations, School Years 2021-22 and 2022-23

| Level of Fiscal Stress | SY 2021-22 | | SY 2022-22 | | Change SY 2021-22 to 2022-23 | |
|-------------------------------|------------|---------------|------------|---------------|------------------------------|-------------------|
| | Number | Percentage | Number | Percentage | Number Change | Percentage Change |
| Significant | 1 | 0.1% | 3 | 0.4% | 2 | 200.0% |
| Moderate | 5 | 0.7% | 1 | 0.1% | -4 | -80.0% |
| Susceptible | 8 | 1.2% | 12 | 1.8% | 4 | 50.0% |
| Total in Stress | 14 | 2.1% | 16 | 2.4% | 2 | 14.3% |
| No Designation | 655 | 97.9% | 653 | 97.6% | -2 | -0.3% |
| Total Filed and Scored | 669 | 100.0% | 669 | 100.0% | 0 | 0.0% |
| Not Filed or Inconclusive | 3 | | 3 | | 0 | 0.0% |
| Grand Total | 672 | | 672 | | | |

Source: Office of the State Comptroller (OSC) and New York State Education Department (SED).

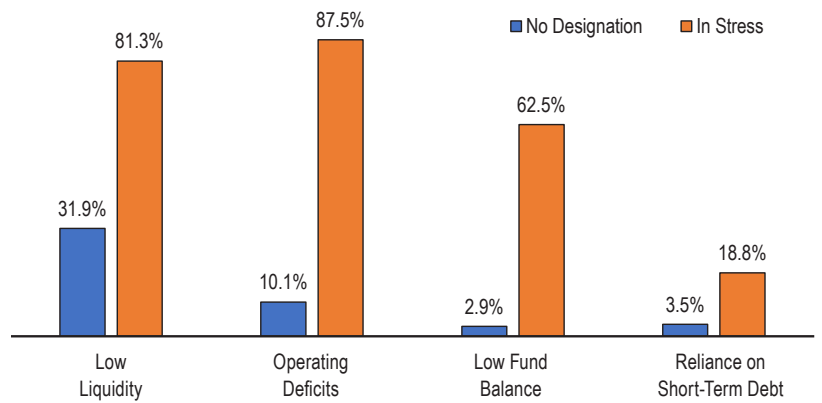
Notes: Includes only school districts that received a FSMS score for SY 2022-23, notably excluding New York City, Buffalo, Rochester, Syracuse and Yonkers. For details, see endnote 1.

How OSC Monitors Fiscal Stress

The Fiscal Stress Indicators

School district fiscal stress scores consist of six separate metrics grouped into four areas: low liquidity, operating deficits, low fund balance and reliance on short-term cash flow debt. Points are assigned if a school district exceeds specified thresholds for each metric. The points for all metrics are summed up to determine the total fiscal stress score. (See Figure 2.) As shown, for school districts that were found to be in a fiscal stress category, the percentage receiving points is substantially higher when compared to their no designation counterparts, and this pattern holds across all four fiscal stress metric areas.

FIGURE 2
Prevalence of Fiscal Stress Indicators by Designation, SY 2022-23



Source: OSC.

The low liquidity indicators measure a district's available cash at year end, which indicates whether it has enough cash on hand to pay its bills. In SY 2022-23, 81.3 percent of school districts designated in a level of fiscal stress had low liquidity. However, more than 30 percent of the districts with no designation also had low liquidity.

The operating deficits indicator measures the difference between gross revenues and gross expenditures for each of the last three years. Operating deficits point to structural imbalances in the budget. In SY 2022-23, 87.5 percent of the school districts designated in a level of stress reported ending the year with an operating deficit in one or more of the last three years.

The low fund balance indicators measure the accumulated surplus/deficit since operations began. This can indicate the entity's ability to cover revenue shortfalls and expenditure overruns. As State law limits school district unappropriated fund balance to 4 percent of the upcoming year's budget, the indicator threshold for low fund balance is lower than for municipalities.⁴ The threshold is less than 3 percent for the unassigned fund balance indicator and less than 10 percent for the total fund balance indicator.⁵

The short-term cash flow debt indicator measures the issuance of cash flow debt in the current year compared with the prior year. Borrowing to pay operating costs is generally not a fiscally prudent practice, and an increasing dependence on it can be a sign of fiscal stress. In SY 2022-23, three of the 16 fiscally stressed school districts had an increased reliance on this type of short-term debt.

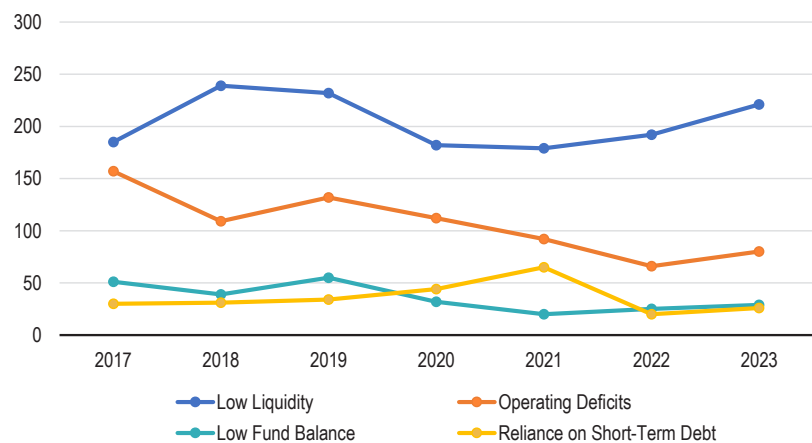
Indicator Trends

A review of FSMS scores for all school districts (regardless of fiscal stress designation) shows that the number of districts scoring on individual indicators has increased from SY 2021-22 but remains below that of years past when rates of fiscal stress were higher. (See Figure 3.)

Low liquidity is the most frequently triggered indicator category. Since SY 2016-17, between 27 and 36 percent of scored districts have triggered this indicator. Since SY 2021-22, the share of districts receiving points for low liquidity has increased, but it remains below the peak of 35.6 percent seen in SY 2017-18. In 2022-23, about a third of districts (221) received points in this indicator category, up from 192 in the previous year. Relatively few districts received points for short-term debt and low fund balance in either SY 2021-22 or 2022-23.

In SY 2022-23, 12 percent of all scored districts received points for the operating deficits indicator, up from 9.9 percent in SY 2021-22, but still well below the 23.3 percent in SY 2016-17.

FIGURE 3
Trend of the Number of All Scored School Districts Receiving Points for Each Indicator Category, SY 2016-17 to 2022-23



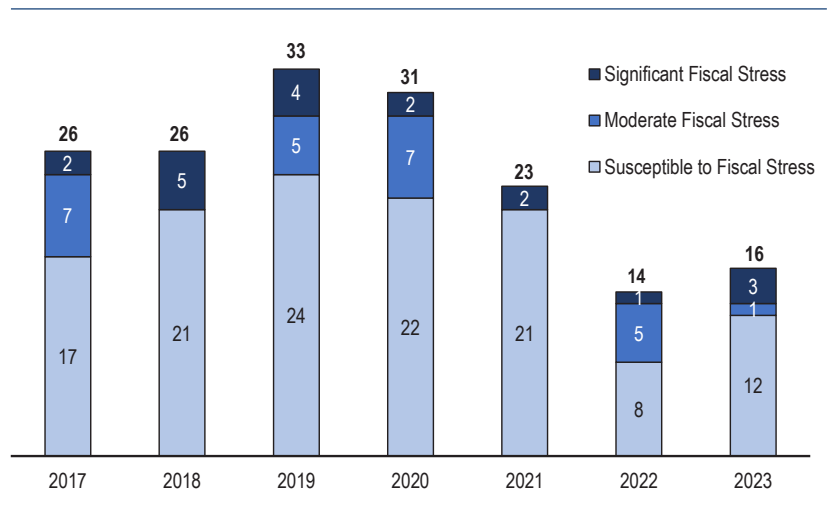
Source: OSC.

Federal and State Aid Funding

Historically, only a small number of school districts are designated in stress. (See Figure 4.) Similar to 2021-22, temporary federal aid in response to the COVID-19 pandemic and the State's efforts to fully fund Foundation Aid for districts are contributing factors in the low number of school districts designated in fiscal stress for 2022-23.

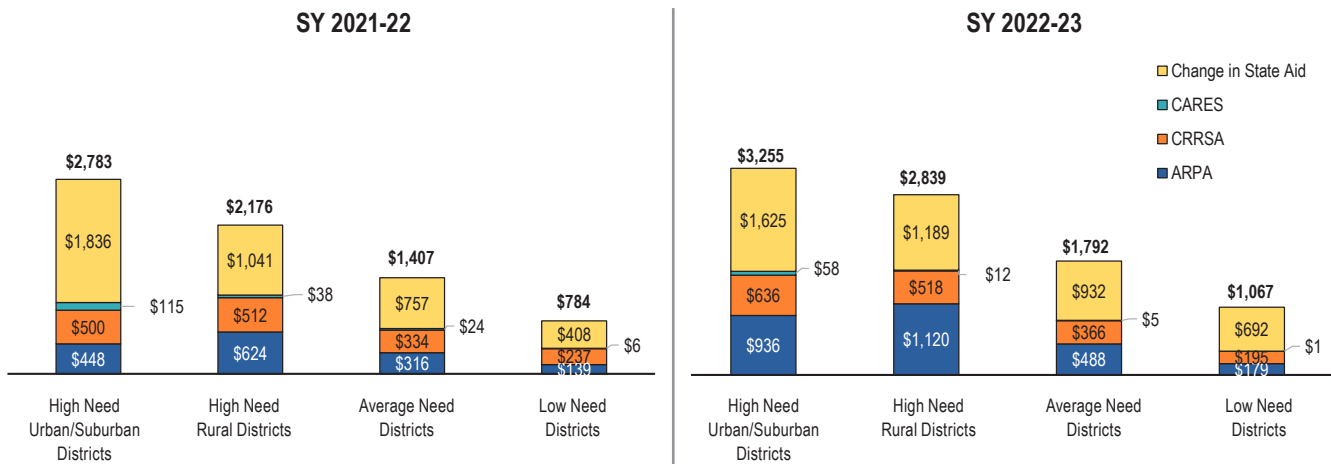
Figure 5 shows the SY 2021-22 and 2022-23 per-pupil amounts of the three federal aid pandemic stimulus packages—the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan Act (ARPA)—and the increase in State aid from the previous year using the New York State Education Department's (SED) Need/Resource Capacity Index categories (N/RC).⁶

FIGURE 4
School Districts Designated in Fiscal Stress by Year



Source: OSC.

FIGURE 5
Federal Aid and Additional Net State Aid Per Pupil Compared to the Previous School Year, SY 2021-22 and 2022-23



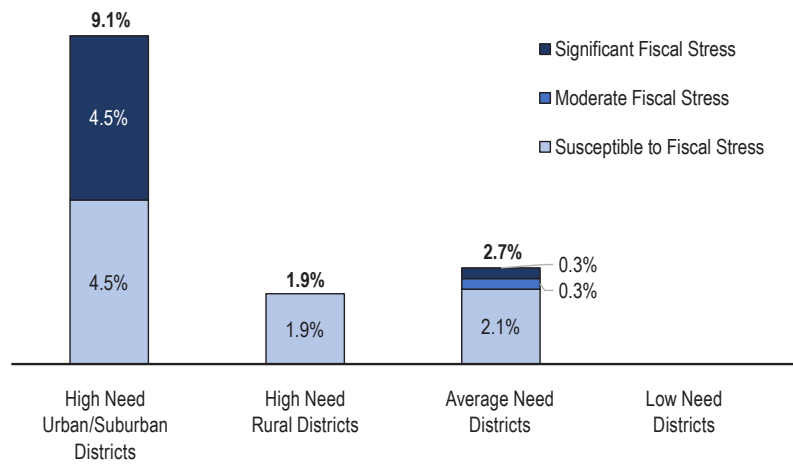
Source: OSC and SED.

Notes: Includes only school districts that received a FSMS score for SY 2021-22 and 2022-23. Year-over-year change in net State aid includes CARES Act funds received in SY 2020-21 in lieu of State aid. Change in State aid subtracts the total State aid received in the previous year from the total State aid received in the current year. Per-pupil calculation uses enrollment data for SY 2021-22.

The federal aid that school districts received through CARES, CRRSA and ARPA in 2021 and 2022 was calculated by SED based on the relative shares of grants awarded for previous federal aid.⁷ In aggregate, all of SED’s N/RC categories received more in total combined temporary federal aid and State aid per pupil than they had in SY 2021-22.

In SY 2022-23, 9.1 percent of districts in the high need urban/suburban N/RC category were designated in fiscal stress as were less than 3 and 2 percent of average need and high need rural N/RC categories, respectively. (See Figure 6.) None of the low need N/RC category districts were designated in stress.

FIGURE 6
Percentage of School Districts Designated in Stress by Designation and N/RC Category, SY 2022-23

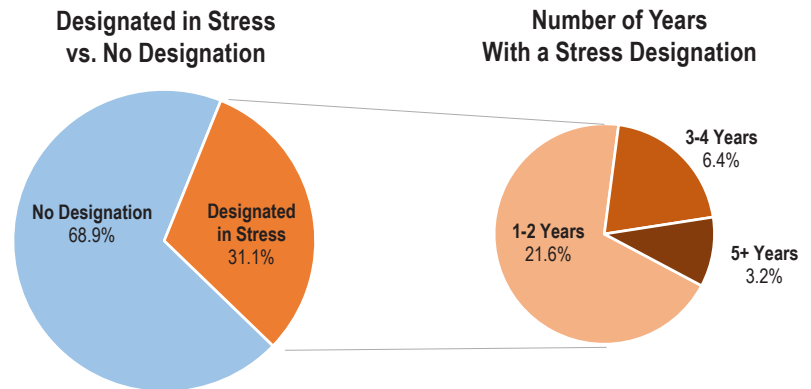


Source: OSC and SED.

School Districts Showing Signs of Chronic Fiscal Stress

OSC has used FSMS to analyze fiscal stress in school districts since SY 2012-13. Few districts are designated in fiscal stress in any given year. In fact, 68.9 percent of all school districts that have been scored since the system's inception have never been designated in a fiscal stress category. (See Figure 7.) Of the 31.1 percent of districts designated in a fiscal stress category, most had a fiscal stress designation for only one to two years. However, 22 districts (3.2 percent) have been designated in stress for five or more years.

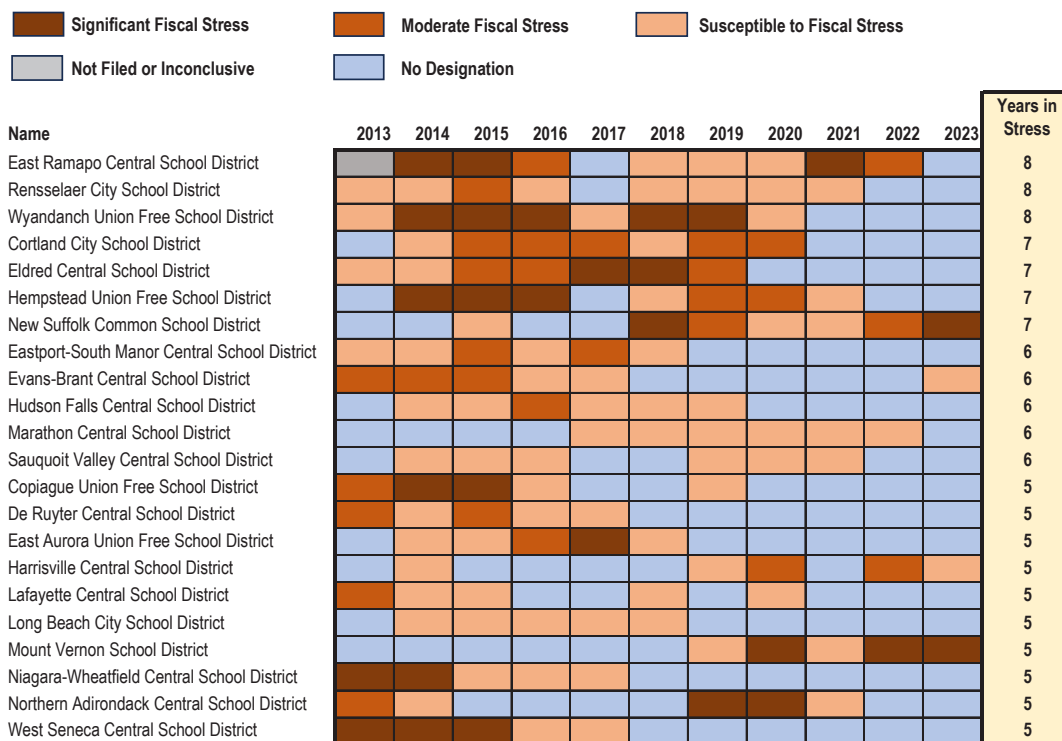
FIGURE 7
Percentage of School Districts Designated in Fiscal Stress and the Frequency of Stress, SY 2013 to 2023



Source: OSC.
 Notes: Includes only school districts that received FSMS scores for any school year from 2013 to 2023. Subtotals for districts designated in stress do not sum to 31.1 due to rounding.

Figure 8 focuses on districts that have been in a category of stress for five or more years between 2012-13 and 2022-23.

FIGURE 8
Chronically Stressed: School Districts Designated in Fiscal Stress in Five or More Years, SY 2013-2023



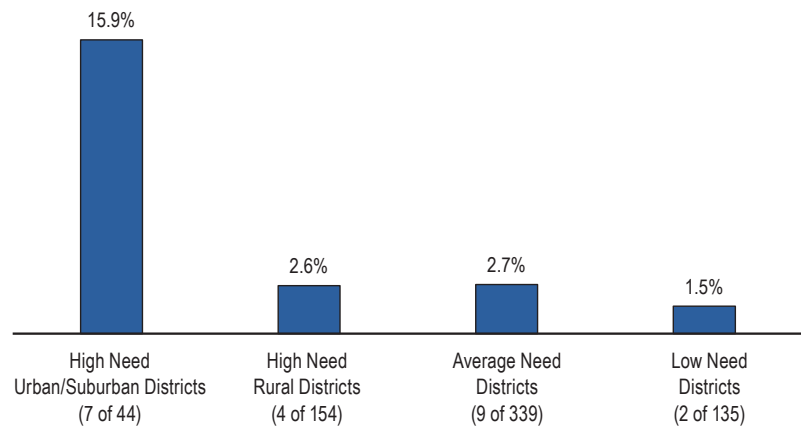
Source: OSC.

Many school districts have environmental challenges that may increase the likelihood of fiscal stress, as is evidenced by the number of high-need districts designated in stress. FSMS tracks several factors, including high percentage of economically disadvantaged students, high teacher turnover rate, recent decrease in property value, low margin for budget vote approval, high percentage of English language learners, and large class sizes.⁸

Although the rate of chronic fiscal stress is low across the State, school districts with an environmental stress designation for school year 2022-23 were three times more likely to be chronically stressed.

Grouping the chronically stressed school districts by N/RC category shows that high need urban/suburban districts are nearly six times more likely to be chronically stressed compared to the other need/resource categories. With 15.9 percent of high need urban/suburban districts in chronic stress, the higher rate of both fiscal stress and chronic stress among these districts is an area of concern. (See Figure 9.) Over the past decade, high need urban/suburban districts have consistently been more likely than other districts to be designated in fiscal stress.

FIGURE 9
Percentage of School Districts that are Chronically Stressed by Need/Resource Capacity Category



Source: OSC and SED.

Conclusion

Historically, relatively few school districts are designated in fiscal stress, and SY 2022-23 is no exception. Only 16 districts (2.4 percent of those that received scores) were designated as being in stress. For SY 2021-22, 14 districts were designated in stress.

Increased State aid along with temporary federal assistance have helped keep school districts' fiscal stress low. CARES Act funds were required to be spent by December 31, 2022. CRRSA funding needed to be obligated by September 30, 2022 and spent by September 30, 2023. ARPA funding must be obligated by December 31, 2024 and spent by December 31, 2026. As these funding sources sunset, school districts will need to adjust to lower levels of federal aid.

While New York State has fully funded Foundation Aid, State budget gaps could put pressure on funding for education in future years. With that in mind, district officials should take advantage of the resources available to them, if they aren't already doing so. OSC's **self-assessment tool**, which allows officials to calculate fiscal stress scores based on current and future financial assumptions, and OSC's **financial toolkit**, which contains guidance, resources, training and reports, can be useful in these uncertain times.⁹

Notes

- ¹ The New York City School District, due to its unique financial structure, is excluded from the Fiscal Stress Monitoring System (FSMS), as are the 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. School year (SY) refers to school fiscal years, which run from July 1 to June 30. For more information on the FSMS indicators and scores, see Office of the New York State Comptroller (OSC), *Fiscal Stress Monitoring System Manual*, January 2022, at <https://www.osc.ny.gov/files/local-government/fiscal-monitoring/pdf/system-manual.pdf>.
- ² FSMS scores have been published for school districts since SY 2012-13, although the incidence of stress in schools was greater before the System was adjusted in SY 2016-17. Changes to the short-term debt metrics and scoring account for some of the decrease in fiscal stress since 2015-16.
- ³ For more information about FSMS, including lists of entities designated in stress and entities that did not file with OSC, see <https://www.osc.ny.gov/local-government/fiscal-monitoring>.
- ⁴ Real Property Tax Law section 1318.
- ⁵ For more information on the different classifications of fund balance see The Governmental Accounting Standards Board (GASB), Summary of Statement No. 54, at <https://gasb.org/page/PageContent?pagelid=/standards-guidance/pronouncements/summary--statement-no-54.html&isStaticPage=true>. For more information on the calculations for the fund balance indicators see OSC, *Fiscal Stress Monitoring System Manual*, January 2022, Appendix B, at <https://www.osc.ny.gov/files/local-government/fiscal-monitoring/pdf/system-manual.pdf>.
- ⁶ The N/RC categories are based on a measure of a district’s ability to meet the needs of its students with local resources using a ratio of student need (poverty) to district wealth (taking into account both property wealth and income per pupil). For more information about Need/Resource Capacity (N/RC) Categories see: <https://www.p12.nysed.gov/irs/accountability/2011-12/NeedResourceCapacityIndex.pdf>.
- ⁷ New York State Education Department (SED), “Federal American Rescue Plan Act (ARPA) Funding,” April 05, 2021, at <https://www.nysed.gov/sites/default/files/programs/coronavirus/american-rescue-plan-act-preliminary-information-leas-04-05-21.pdf>.
- ⁸ For more information about the FSMS environmental indicators see OSC, *Fiscal Stress Monitoring System Manual*, January 2022, at <https://www.osc.ny.gov/files/local-government/fiscal-monitoring/pdf/system-manual.pdf>
- ⁹ OSC, *Financial Toolkit for Local Officials*, accessed December 11, 2023, at <https://www.osc.ny.gov/local-government/financial-toolkit>.

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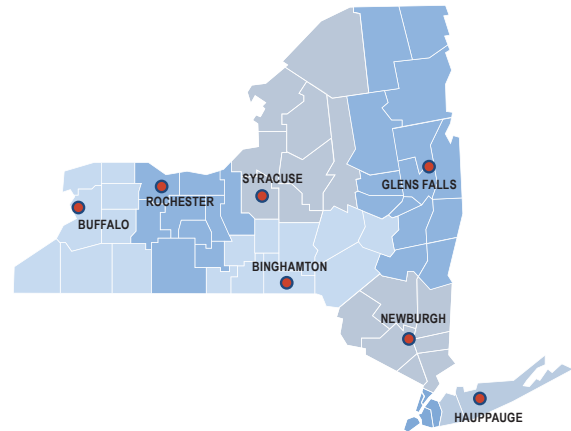
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