

# Fiscal Stress Monitoring System

## School Districts: Fiscal Year 2021-22 Results

### Overview

The **Fiscal Stress Monitoring System (FSMS)** created by the Office of the State Comptroller (OSC) calculates and publishes a fiscal stress score annually for each county, city, town, village and school district in the State. Scores are based on data reported to OSC 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, in moderate fiscal stress or in significant fiscal stress. Below that, it is considered to have no designation. This snapshot highlights the results for all school districts that filed reports for school year (SY) 2021-22.<sup>1</sup>

As Figure 1 shows, OSC designated 14 school districts in some level of fiscal stress for SY 2021-22 (2.1 percent of the 669 that filed their annual financial data in time to receive a score). This represents a 39.1 percent reduction compared to the prior year (SY 2020-21), and the lowest incidence of fiscal stress recorded for schools since the System’s inception.<sup>2</sup>

The one school district designated in significant fiscal stress was the Mount Vernon School District (Westchester County), which increased 38.4 points from last year, when it was designated as susceptible to fiscal stress. Of the five school districts in moderate fiscal stress, only one, East Ramapo Central School District (Rockland County), saw a decrease in its score from SY 2020-21 (decreasing by 26.7 points). The remaining four— Arkport Central School District (Steuben County), Harrisville Central School District (Lewis County), New Suffolk Common School District (Suffolk County), and Roscoe Central School District (Sullivan County)—had score increases of 25, 35, 31.6, and 31.7 points, respectively.<sup>3</sup>

FIGURE 1

School District Fiscal Stress Designations, School Years 2020-21 and 2021-22

Level of Fiscal Stress	SY 2020-21		SY 2021-22		Change SY 2020-21 to 2021-22	
	Number	Percentage	Number	Percentage	Number Change	Percentage Change
Significant	2	0.3%	1	0.1%	-1	-50.0%
Moderate	0	0.0%	5	0.7%	5	NA
Susceptible	21	3.1%	8	1.2%	-13	-61.9%
<b>Total in Stress</b>	<b>23</b>	<b>3.4%</b>	<b>14</b>	<b>2.1%</b>	<b>-9</b>	<b>-39.1%</b>
No Designation	647	96.6%	655	97.9%	8	1.2%
<b>Total Filed and Scored</b>	<b>670</b>	<b>100.0%</b>	<b>669</b>	<b>100.0%</b>	<b>-1</b>	<b>-0.1%</b>
Not Filed or Inconclusive	2		3		1	50.0%
<b>Grand Total</b>	<b>672</b>		<b>672</b>			

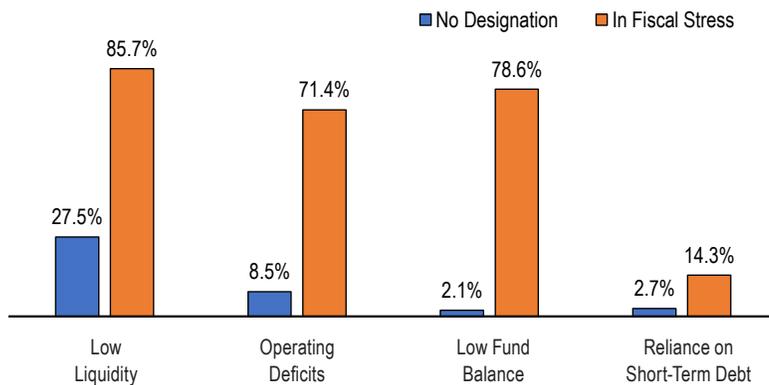
Source: Office of the State Comptroller (OSC) and New York State Education Department (SED).

Notes: Includes only school districts that received a FSMS score for SY 2021-22, notably excluding New York City, Buffalo, Rochester, Syracuse and Yonkers. For details, see endnote 1.

# Fiscal Stress Indicators

Fiscal stress scores are driven by several indicators, each of which contributes to the total score. (See Figure 2.)

**FIGURE 2**  
Prevalence of Fiscal Stress Indicators by Designation, SY 2021-22



Source: OSC.

- **Low liquidity** measures the available cash at year end. This reveals whether an entity has enough cash on-hand to pay its bills. In SY 2021-22, 85.7 percent of school districts designated in fiscal stress had low liquidity. However, more than a quarter of the districts with no designation also had low liquidity.
- **Operating deficit** is the difference between gross revenues and gross expenditures for each of the last three years. This can reveal structural imbalances in the budget. In SY 2021-22, 71.4 percent of school districts designated in stress reported ending the year with an operating deficit in one or more of the last three years.
- **Low fund balance** measures the accumulated surplus/deficit since operations began. This can indicate the entity’s ability to cover revenue shortfalls and expenditure overruns. The threshold for low fund balance for school districts is lower than for municipalities (less than 3 percent for unassigned fund balance and less than 10 percent for total fund balance) since State law limits unappropriated fund balance to 4 percent of the upcoming year’s budget.<sup>4</sup> In SY 2021-22, 78.6 percent of stressed districts had low fund balance by FSMS standards.
- **Increased reliance on short-term cash-flow debt** 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 2021-22, 14.3 percent of stressed districts were found to have an increased reliance on this type of short-term debt.

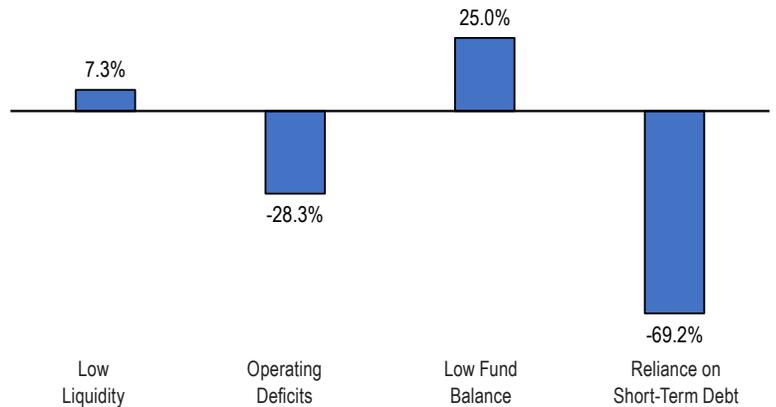
## By Indicator

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 decreased. The biggest drop was in reliance on short term debt, which dropped 69.2 percent from SY 2020-21. (See Figure 3.)

The largest increase was in the number of districts with points for low fund balance, which rose by 25 percent. As Figure 4 shows, however, the 25 districts that received points for this indicator in SY 2021-22 represented only 3.7 percent of all districts, well below the 8.2 percent of districts that triggered it in SY 2018-19.

**FIGURE 3**

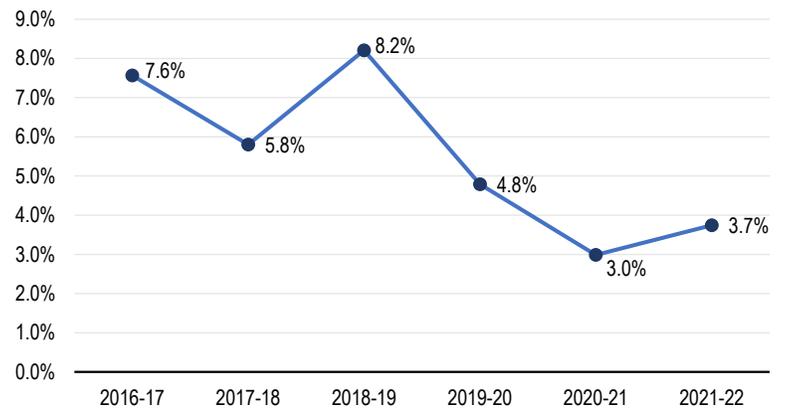
**Percentage Change in the Number of All Scored School Districts Receiving Points for Each Indicator Category, SY 2020-21 to 2021-22**



Source: OSC.

**FIGURE 4**

**Percentage of School Districts Reporting Low Fund Balance, SY 2016-17 to SY 2021-22**



Source: OSC.

# Federal and State Aid Funding

Major increases in both federal and state aid were the primary reasons for the low number of school districts designated in stress in SY 2021-22.

## Federal Aid: Temporary but Significant

In response to the COVID-19 pandemic, the federal government passed three major multiyear grants of aid targeted to low-income school districts. Figure 5 shows the amounts that were allocated from each of these grants for those districts that received a FSMS score in SY 2021-22. It also shows how many districts received such funding and the total they reported receiving in SY 2021-22.

The first of these grants, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, authorized \$327.3 million for these districts, starting in SY 2020-21. Most of the districts receiving this aid used all or most of their CARES Act funds in that same year. However, 263 of them reported receiving some remaining funds in SY 2021-22, totaling \$47.7 million.

**FIGURE 5**  
Temporary Federal Aid Allocated and Reported Received in SY 2021-22

	Total Allocated	Aid Reported Received SY 2021-22		
		Number of Districts	Amount	Percentage of Total Allocation
CARES	\$327,358,575	263	\$47,684,589	14.6%
CRRSA	\$1,432,309,753	534	\$488,711,913	34.1%
ARPA	\$2,793,054,257	548	\$445,710,408	16.0%
<b>Total</b>	<b>\$4,552,722,585</b>	<b>N/A</b>	<b>\$982,106,910</b>	<b>21.6%</b>

Source: OSC and SED.

Notes: Includes only school districts that received a FSMS score in SY 2021-22.

School districts also had access to two other, larger grants starting in SY 2021-22. The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act authorized an additional \$1.4 billion to be used by January 2024 and the American Rescue Plan Act (ARPA) authorized an additional \$2.8 billion to be used by January 2025.

In total, school districts included in FSMS reported receiving nearly one billion dollars in temporary federal aid during SY 2021-22, with the largest portion of it coming from CRRSA.

## State Aid: Fully Funding Foundation Aid

In addition to this temporary federal aid, many school districts also saw a substantial increase in ongoing State aid. (This contrasts with SY 2020-21, when each district's federal CARES Act allocation was offset by an equally deep "pandemic adjustment" for the year.) In its 2021-22 Enacted Budget, the State committed to fully funding Foundation Aid for school districts by SY 2023-24. Total State aid reported by FSMS school districts increased from \$13.8 billion in SY 2020-21 to \$15 billion in SY 2021-22, an increase of more than \$1.1 billion, or 8.5 percent.

## Overall Impact of Aid by District Need

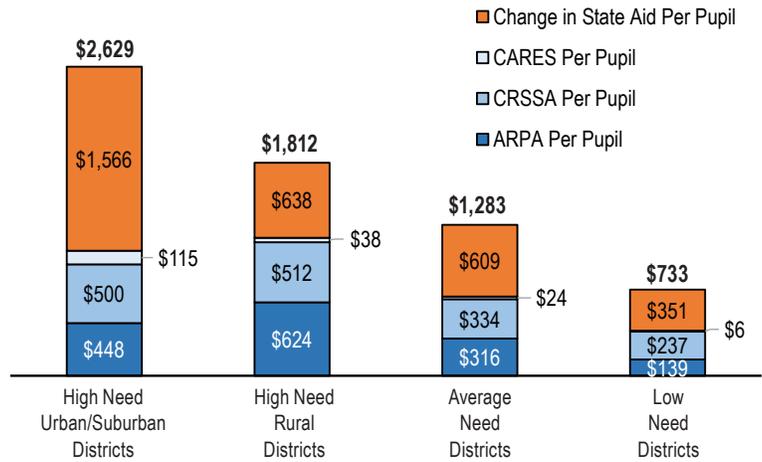
Both the temporary federal aid and the State aid increases were weighted toward higher need districts. The New York State Education Department (SED) uses its Need/Resource Capacity Index (N/RC) as a broad measure of student need compared with local ability to fund public schools.

As Figure 6 shows, the districts that received the highest amount of combined State and federal aid per pupil in SY 2021-22 were the highest need districts, with high need urban/suburban districts reporting especially large increases in State aid.

The impact of this additional aid is reflected in Figure 7. These high need districts also had the greatest reduction in fiscal stress in SY 2021-22 compared with SY 2020-21.

**FIGURE 6**

### Federal Aid and Additional Net State Aid Per Pupil by Need/Resource Capacity (N/RC) Category, SY 2021-22

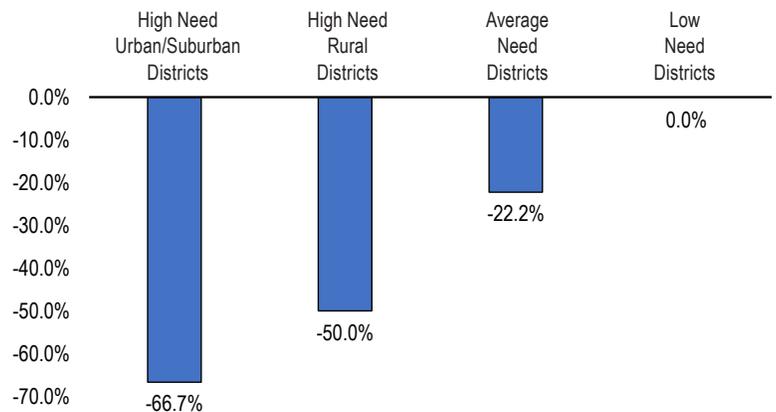


Source: OSC and SED.

Notes: Only includes school districts that received a FSMS score for SY 2021-22. Year-over-year change in net State aid includes CARES Act funds received in SY 2020-21 in lieu of State aid. Per pupil calculation uses enrollment data for 2020-21, the most recent available.

**FIGURE 7**

### Percentage Change in Number of School Districts Designated in Stress, SY 2020-21 to 2021-22, by N/RC Category



Source: OSC and SED.

# Five-Year Trend: COVID and School District Fiscal Stress

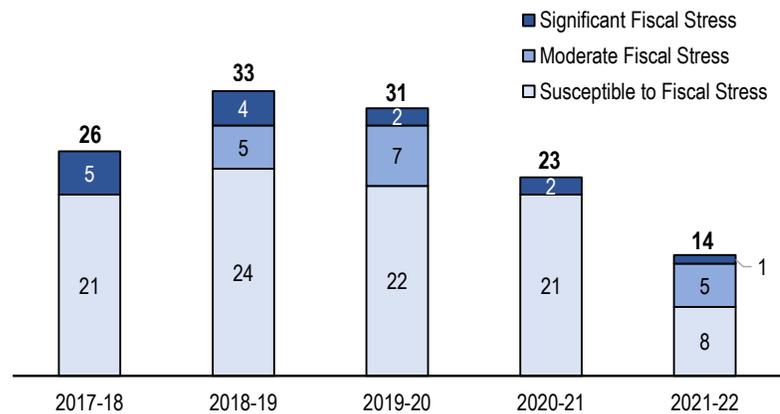
The number of school districts designated in fiscal Stress has been declining for the past three years. (See Figure 8.) However, the reasons for the reduction in SY 2020-21 were different.

OSC's *Fiscal Stress Monitoring System School Districts: Fiscal Year 2020-21 Results* report identified the reasons for that reduction.<sup>5</sup> School districts entered the year with a great deal of uncertainty. Some of the issues of concern were:

- Some State aid had been replaced with CARES Act funding that wasn't immediately available, and for some districts, the CARES Act funding was less than the State aid reduction;
- The State was considering further reductions to aid during the school year; and
- Schools were tasked with providing instruction in a way that minimized COVID-19 transmission.

**FIGURE 8**

**Number of School Districts Designated in Each Level of Fiscal Stress, SY 2017-18 to SY 2021-22**



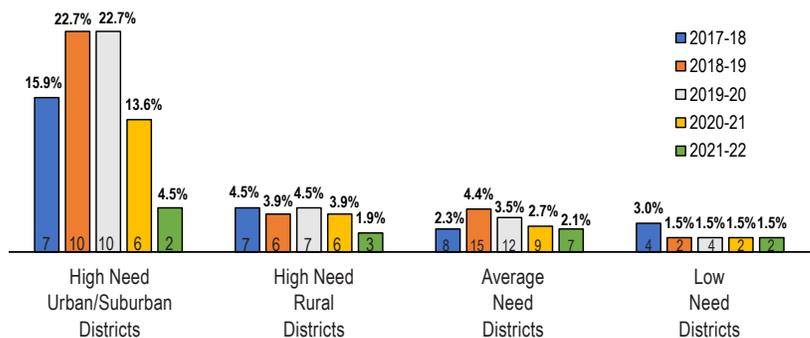
Source: OSC

In response, some districts (generally those with a greater share of revenue from State aid) reduced personal service spending by laying off teaching and administrative staff. When the State did not, in fact, make permanent additional mid-year reductions, and CARES Act aid did, in fact, come through for many of the districts, they ended the year in a better financial position than they had anticipated in the fall. This resulted in a decline in the number of districts designated in fiscal stress at the end of the SY 2020-21 year.<sup>6</sup> When aid was not only restored but augmented in SY 2021-22, fiscal stress designations fell again, even as expenditures increased.

High need urban/suburban districts had the most significant reductions in stress designations in both SY 2020-21 and SY 2021-22. Even so, stress in high need urban/suburban districts was still nearly double the stress percentages in any other type of district in SY 2021-22. (See Figure 9.)

**FIGURE 9**

**Percentage of School Districts Designated in Fiscal Stress by N/RC Category, SY 2017-18 to SY 2021-22**



Source: OSC and SED.

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## Conclusion

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The overall number of districts designated in a stress category has fallen considerably since SY 2019-20, with SY 2021-22 continuing this trend. Unlike in SY 2020-21, however, the reasons for the decrease this year are largely the result of significant increases in both federal and State aid. In particular, high need urban/suburban districts, which typically have the highest incidence of fiscal stress, received some of the largest aid increases and had the steepest reduction in the number of districts designated in stress.

Although increased federal and State aid has certainly reduced fiscal stress in school districts, the increases in federal aid are temporary. In addition, New York State's plan to fully fund Foundation Aid by SY 2023-24, while currently on track, is not binding upon future legislatures, nor is maintaining aid at that higher level.

School district officials still face difficult operational and staffing decisions to determine how to best provide services to their students in the future. Knowledge of their financial condition is vital in making these decisions. OSC's self-assessment tool allows officials to calculate fiscal stress scores based on current and future financial assumptions; it can be a powerful asset in uncertain times such as these. OSC has also created a financial toolkit that contains guidance, resources, training and reports that can assist school districts in dealing with the financial challenges they face.<sup>7</sup>

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# Notes

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- <sup>1</sup> The New York City School District, due to its unique financial structure, is excluded from 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. For more information on the FSMS indicators and scoring, see Office of the New York State Comptroller (OSC), Fiscal Stress Monitoring System Manual, January 2022, at [www.osc.state.ny.us/files/local-government/fiscal-monitoring/pdf/system-manual.pdf](http://www.osc.state.ny.us/files/local-government/fiscal-monitoring/pdf/system-manual.pdf)
- <sup>2</sup> 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.
- <sup>3</sup> For more information about FSMS, including lists of entities designated in stress and entities that did not file with OSC, see [www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring).
- <sup>4</sup> “Budgeting Handbook,” University of the State of New York – New York State Education Department, last updated December 10, 2010, accessed on January 5, 2023, [www.p12.nysed.gov/mgtserv/budgeting/handbook/balance.html](http://www.p12.nysed.gov/mgtserv/budgeting/handbook/balance.html).
- <sup>5</sup> OSC, Fiscal Stress Monitoring System: School Districts: Fiscal Year 2020-21 Results, January 2022, at [www.osc.state.ny.us/files/local-government/publications/pdf/fsms-school-districts-fiscal-year-2020-21-results.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/fsms-school-districts-fiscal-year-2020-21-results.pdf).
- <sup>6</sup> OSC, *Fiscal Stress Monitoring System: School Districts: Fiscal Year 2020-21 Results*.
- <sup>7</sup> OSC, Financial Toolkit for Local Officials, accessed January 12, 2023, at <https://www.osc.state.ny.us/local-government/financial-toolkit>.



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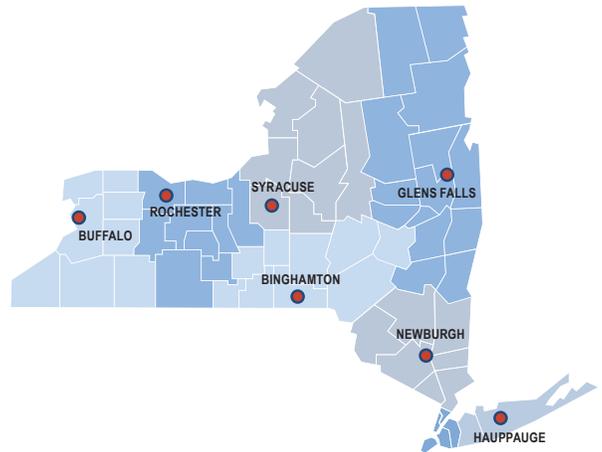
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