Youngstown City School District

Performance Audit Summary

WHAT WE LOOKED AT

Youngstown City School District is an urban school district located in Youngstown, Ohio in the northeastern portion of the state. As of FY 2022, the District had approximately 4,400 students. The District has historically underperformed compared to statewide academic performance measures. Academic progress can be measured in a variety of ways, including grades, standardized test scores, and graduation rates. Though its method of measuring success has shifted several times, the Ohio Department of Education (ODE) publishes the Ohio School Report Cards. These reports "grade" school districts on the academic success of their students. Under ORC 3302.10, districts that chronically underperform on the Ohio School Report Card are subject to state oversight. This process, the creation of an Academic Distress Commission (ADC), removes authority from the school district's local board of education and authorizes the ADC to appoint a CEO to replace the superintendent. This CEO is granted complete operational, managerial, and instructional control of the district. This control includes authority to enact interventions intended to improve academic performance. Examples of these interventions include conducting employee evaluations; making adjustments to staffing; modifying policies and procedures established by the district board; and selecting instructional materials and assessments. In 2010, ODE placed the District in Academic Distress due to continued failure to meet minimum statewide academic performance measures.

Our office conducted a performance audit of the District in accordance with ORC 3302.103, effective June 30, 2021, which provided districts under the authority of an ADC an alternative means of resolution. Under this law, the District is required to develop and submit an Academic Improvement Plan detailing academic improvement benchmarks and strategies for achieving those benchmarks within the designated implementation period. Our performance audit identified the District's progress towards meeting its Academic Improvement Plan goals, the financial feasibility of reaching those goals, and how district operations may impact academic progress. Based on the timing of our audit, we were able to review both baseline data as well as the impact of the first year of Academic Improvement Plan implementation. This information may be used by the District to adjust operations as necessary to achieve its Academic Improvement Plan benchmark targets by June 30, 2025.

The District has one of the highest expenditure per pupil rate in Ohio. Because the District's revenues and expenditures are so high, we designed an analysis to determine how and where these funds were being spent. This analysis used available spending data to identify, at a detailed level, where the District was spending money in ways that varied from the peer group. We identified these variations as "key drivers" of expenditures, and are used throughout the audit to draw meaningful conclusions to our analyses in other areas, such as staffing levels and the potential success of the District's Academic Improvement Plan. Funds that the District received or expended that were related to federal COVID-19 pandemic relief were excluded from these analyses due to the impact they had on overall spending.

WHAT WE FOUND

YCSD, not unlike other urban districts, faces challenging circumstances with the students it serves. These challenges include having a much greater share of its students qualify as economically disadvantaged, differing household makeups, issues with student attendance and student mobility, and higher rates of violent crime in the District than statewide averages. To combat some of these challenges, YCSD both receives and spends more on educating its students than its peers.

The District's leadership was an excellent partner during the performance audit—interested and engaged with the AOS in seeking ways to use the analysis contained in the performance audit report to impact their operations and achieve better outcomes for their students. At the same time, the audit identified areas of operational weaknesses, notably with data reporting, that would make it difficult to manage the operations of an institution of their size.

During the course of the audit, the District's FY 2023 report card was released by ODE. Based on their progress to date, the District met more than half of their FY 2023 benchmarks. While this is promising, the District must meet more than half of their benchmarks in FY 2025, and continued progress must be made in the coming years for the District to shed its academic distress designation.

KEY OBSERVATIONS

Key Observation 1: The District spends more per pupil than its peers—in FY 2022, excluding Elementary and Secondary School Emergency Relief (ESSER) funds, it spent $22,983 per pupil, compared to the peer average of $20,190 per pupil. However, the District also receives more revenue per pupil than its peers—in that year, excluding ESSER funds, it received $23,031 per pupil, compared to the peer average of $18,898 per pupil. Part of this can be attributed to the fact that the District receives more per pupil than its peers in revenue for disadvantaged students—e.g., Title I-A funding from the federal government and Disadvantaged Pupil Impact Aid (DPIA) and Student Wellness & Success (SWS) funding from the state.

Key Observation 2: In FY 2022 and FY 2023, the District's staffing data, as reported to ODE, was incomplete. We found that in these two years, the District underreported the number of employees by an average of 17.4 percent. The areas where staff were underreported were spread out over a variety of employee categories. This is discussed in further detail in **Recommendation 3**.

Key Observation 3: Using the staffing data that was reported to ODE, which was underreported by an average of 17.4 percent in FY 2022 and FY 2023, we found that the District still had more staff compared to the peer average. This was evident in the financial data, which showed higher personnel related expenditures on a per-pupil basis. Specifically, the District spent nearly $5,500, or approximately 45 percent, more per pupil on employee salaries and benefits than the peer average. Additionally, based on the underreported staffing data, the District had over 75 more teachers than the peer average on a per-1,000 student basis.

Key Observation 4: The District spent $51.8 million in ESSER funds in FY 2022 and $15.9 million in FY 2023; as of October 2023, $2.6 million remains to liquidate before the funding expires. After reviewing ESSER-funded expenditures and interviewing YCSD personnel regarding ESSER spending, it appears the District followed ODE's ESSER spending guidance, and—for the most part—utilized funds for one-time and short-term purchases. The District should continue to carefully manage its ESSER dollars by tracking ESSER Fund spending, following available guidance, and assessing the financial and academic impact of expenditure decisions, especially those that will either need to be continued or discontinued in the future.

Key Observation 5: Within Non-Classroom Operating Expenditures, we found that Care and Upkeep of Building Services and Security Services were expenditure categories driving expenditure per pupil difference between the District and the peer average. Specifically, we found that the District spends approximately $2,500, or 45 percent, more per pupil in these areas compared to the peer average. A building analysis was not included in our audit, however, due to declining enrollment, the District likely could reduce the number of buildings it maintains through consolidation. This is discussed in further detail in our Issue for Further Study.

Key Observation 6: The District's adopted policies and reported actions regarding student attendance meet the best practices established by ODE and Attendance Works and the District's student attendance rate and chronic absenteeism rate improved from FY 2022 to FY 2023. Research shows that attendance is closely related to academic achievement. However, YCSD did not meet its FY 2023 chronic absenteeism benchmark target, which means it is not on track to achieve this benchmark from the Academic Improvement Plan. While the District's student attendance rate and chronic absenteeism rate are both worse than the primary peer average, the District has improved faster than the peers. Additionally, while reducing Chronic Absenteeism is important for the District to achieve its benchmarks, it is also important because high Chronic Absenteeism may be negatively impacting student performance.

Key Observation 7: The District met 16 of 24 (66.6 percent) of its annual benchmark targets for FY 2023, a majority of benchmarks. From the baseline year to FY 2023, 20 of 24 (83.3 percent) of benchmarks improved. Additionally, the District's FY 2023 benchmark results already surpassed 9 of 24 (37.5 percent) of its FY 2024 benchmark targets and 5 of 24 (20.8 percent) of its FY 2025 benchmark targets. This shows YCSD is on-track to meet the majority of their benchmarks if it sustains the gains it has made and continues improving. If this continues, the District will have achieved sufficient progress at the end of FY 2025 to be removed from Academic Distress designation. Regardless of achieving annual FY 2023 and FY 2024 benchmark targets, YCSD must achieve a majority of its benchmarks at the end of FY 2025 to be released from Academic Distress since FY 2025 is the first evaluation period.

Key Observation 8: The District's most recent five-year forecast projects deficit spending each year with a negative fund balance occurring in FY 2027. While the District must work towards continuing its progress towards achieving the Academic Improvement Plan targets, it must also consider its overall fiscal stability. Staffing levels and overall spending will likely need to be reviewed and adjusted in a manner which does not impact student performance.

SUMMARY OF RECOMMENDATIONS

Recommendation 1: While the District creates an annual budget, it does not have a formal, written budgeting process. Youngstown spent more than $160 million in FY 2022, and the budget process led to the decisions on where to allocate each one of these dollars. GFOA School Budgeting Best Practices outline the ideal contents of such a process, and while YCSD generally follows these best practices, it does not meet all of the GFOA criteria. A formal, written budgeting process that identifies roles and responsibilities for employees would allow for a more transparent and effective budget. In order to ensure the District is making the most informed decisions with their resources, and is as prepared as possible for future needs, they should consider developing a written budget plan and addressing each of the GFOA elements into their annual budget process through the addition of steps or design and implementation of relevant polices/plans.

Recommendation 2: Capital expenditures occur each year and require adequate planning and preparation. In FY 2022, YCSD spent nearly $25 million on these types of expenditures, fueled by ESSER funds. A capital plan aids an organization in outlining current and future capital expenditures and how they are to be funded, as well as tracking capital assets to prepare for replacement or repair. As YCSD does not currently have a formal approved capital plan, the District should continue designing, approving, and implementing the formal capital improvement plan designed over the course of the audit, including taking steps to align their plan with GFOA best practices for a Capital Improvement Plan and its contents, as well as incorporating an asset maintenance and replacement plan.

Issue for Further Study 1: The District's student body has shifted drastically in the past decade and declined by 19.5 percent. Meanwhile, YCSD has the same number of school buildings being operated in FY 2022 as they did in FY 2018. Because of this, YCSD officials have an opportunity to consolidate buildings. In doing so, the District should make strategic plans and consider the impact that any decisions may have on other operational areas, particularly transportation and staffing.

Recommendation 3: During the audit, we identified errors in data that was reported to ODE through EMIS. Specifically, the District did not properly report several employees, resulting in staffing levels being undercounted. The District should establish internal controls to improve EMIS staffing reporting practices. Effective internal controls would provide structure to the reporting process and result in more accurate EMIS staffing data.

Recommendation 4: During the audit, we determined that the District has more staff on a per-pupil basis than the peer averages in multiple categories, even with employees missing from the reported data. Additionally, they spend more per pupil on employee salaries and benefits. However, the District does not have a written plan to determine how these resources are deployed across buildings, and in some cases could not clearly identify where certain teachers were working. The District should develop a formal and comprehensive strategic staffing plan that addresses district-wide staffing needs and is linked to the District's budget and forecast. Establishing staffing allocation for administrative, certificated, and support staff will assist the District in better planning for the future, both in the areas of ensuring adequate delivery of education as well as proper management of financials. Finally, a comprehensive staffing plan would be beneficial when the District analyzes future building configurations.

Recommendation 5: Employee compensation has multiple components including salaries or wages and insurance benefits. Our analysis found that the District's salaries are generally lower than the peer averages, but the insurance benefits offered by the District are more generous than the peer averages. Because total compensation involves both salaries and insurance, the District must consider the impact of its offerings to ensure it is competitive in the local market. Particularly, we found that offering lower salaries and generous insurance benefits may result in lower total compensation for those employees that do not utilize their full insurance benefits. Conversely, for those employees that hit out of pocket maximums for insurance, the total value of their salaries and insurance benefits exceeds that of the peer average. The District should work to determine which compensation factors would help to attract and retain educators. Evaluating salary and insurance offerings together could assist the District in negotiating compensation packages that are competitive within the local market. This could assist the District in attracting and retaining quality staff, while ensuring District costs are in alignment with local peers.

Recommendation 6: YCSD officials expressed concerns about the impact of employee leave usage on District operations. We found that usage of employee leave at the District is in-line with peer averages. However, the District does not use specific USAS coding to identify detailed information about leave usage. In its current account coding practices, YCSD does not record leave as its own category distinct from overall employee compensation. Nor can the District distinguish between various leave sub-categories (such as sick, vacation, personal, maternity, etc.) in their accounting queries. Collecting this information will provide the District the ability to run financial analyses that could inform operational strategies related to leave usage.

Recommendation 7: The District is forecasting a negative General Fund balance beginning in FY 2027 due to several years of forecasted deficit spending. The District should utilize the information presented in this Performance Audit in conjunction with their forecasted revenues and expenditures to identify whether cost-saving measures need to be implemented, and whether doing so would impact the Academic Improvement Plan.