Moody's downgrades Fayette County Schools' credit ratings once more

BY VALARIE HONEYCUTT SPEARS
vhoneycutt@herald-leader.com

The financial services company Moody's Ratings on Wednesday again downgraded Fayette County Public Schools' credit ratings.

Moody's cited structurally imbalanced operations and weak fiscal controls in its report. The district has misstated its finances for decades, resulting in depleted fund balances, which affect the district's financial ratings. Two other times this year, Moody's has downgraded FCPS' credit ratings.

The finance ratings help determine the interest rate or how much it will cost the district to borrow. The district recently had to secure a $95 million short-term loan to help it pay its bills until it collects property taxes later this fall.

Additionally, "the school district's outlook has been revised to 'negative' from 'ratings under review'. The action is the conclusion of a review for possible downgrade initiated on May 11, 2026," Moody's said in an Aug. 12 statement.

Moody's downgraded Kentucky's second-largest district issuer and general obligation unlimited tax ratings from A3 to Baa1. Its lease ratings were downgraded from Baa1 to Baa2.

Previously, the Herald-Leader had reported that rating was stable.

In a May 11 report, FCPS' issuer and general obligation unlimited tax ratings were downgraded from A2 to A3, which was the seventh-highest rating level. FCPS' lease appropriation rating dropped one notch from A3 to Baa1, which was the eighth-highest rating.

"The negative outlook reflects the high level of strain on the district's financial position. Despite significant efforts to reduce expenditures, the lingering effects of inaccurate financial reporting will continue to challenge the district's ability to balance operations and restore fund balance to positive levels," the Aug. 12 report said.

"The district has approximately $847 million in debt outstanding," Moody's said.

Fayette County Public Schools district spokesperson Miranda Scully said Thursday the district is aware of Moody's latest ratings.

"Addressing these challenges is precisely why the Fayette County Board of Education commissioned the audit through Weaver, L.L.P. — to give us an independent, clear roadmap to guide FCPS to long-term financial stability," Scully said. "We remain committed to implementing those recommendations and taking all necessary steps to restore our fiscal health while keeping student success at the center of our work."

'INCREASED STRAIN ON OPERATIONS, HISTORY OF INACCURATE INFORMATION'

Moody's evaluates the financial stability of companies and government entities. When an organization's ratings fall, it means their credit profile has weakened, which can leave the agency paying higher interest rates when borrowing money while also hurting bonding capacity.

The Aug. 12 downgrade reflects the continued weakening of reserves following disclosure of inaccurate financial reporting, including inflated fund balance levels and overstated revenue projections, which will result in a deficit general fund balance in fiscal 2026.

The district approved a tentative $711.3 million general fund budget in May that included $20 million in cuts and the elimination of 120 positions and cuts to staff work days. The end fund balance for the 2024-2025 budget contingency fund ended at 1% of the district's spending, below the state required 2% and the 6% required by Fayette County Public Schools' own rules.

Moody's determination of a negative outlook "considers the increased strain on operations resulting from the history of inaccurate projections and first-time reliance on cash-flow borrowing to meet expenses."

"The financial pressures will make it difficult to restore structural balance and reach positive reserve levels in the near-term. Weak governance and budget management are key drivers of the rating action," Moody's said in the report.

Additionally, the district recently disclosed historical inaccuracies in property tax records have led to overstated revenue in fiscal 2026 and the fiscal 2027 budget.

"This is projected to result in the available general fund balance declining to between negative $17 million and negative $10 million (-2.4% to -1.4% of revenue) in fiscal 2026. The tentative fiscal 2027 budget included an $11 million contingency to begin replenishing reserves that will now be offset by $12 million of overstated property taxes," the report said.

The district's new financial management team aims to close the budget gap, restore a 2% contingency, and improve fiscal policies and procedures, Moody's said.

District management continues to reduce expenditures and will continue to annually increase the property tax levy by the 4% maximum allowed under state statute, which will help capture the benefits of strong tax base growth. Positively, per pupil state aid is increasing.

State department of education officials are providing technical assistance, but the district does not expect state intervention at this time, the Moody's report said.

The weak financial position is partially mitigated by the growing and diverse economy that serves as a major economic center of the state, Moody's said. Moody's said the district also benefits from stable enrollment, modest leverage and fixed costs, and a lack of additional long-term borrowing plans.

Earlier this month, a report by the Texas audit firm Weaver showed Fayette County Public Schools needs to revamp its budget process, separate its financial responsibilities, redo its travel policy and tighten its controls on credit card spending.

The Weaver report showed the district's budget policies from 2023-2025 were either outdated, incomplete, or absent, leaving rules to individual judgment. The Weaver review had 70 recommendations, including more than 10 priority recommendations.

US NAVY via REUTERS

A U.S. sailor, assigned to Electronic Attack Squadron 133, scrubs an EA-18G Growler on the flight deck of the Nimitz-class aircraft carrier USS Abraham Lincoln during the ongoing conflict with Iran August 9, 2026.

Concerns grow over conditions on USS Abraham Lincoln

BY JOHN ISMAY, HELENE COOPER AND ERIC SCHMITT
NYT News Service

WASHINGTON

Democratic senators have begun raising concerns about the extended deployment of the USS Abraham Lincoln, amid reports about poor living conditions and a lack of downtime for the crew after more than 8 ½ months at sea.

The Lincoln, a San Diego-based aircraft carrier with a crew of about 5,000 sailors, is supporting U.S. operations in the Middle East against Iran.

In a letter to Defense Secretary Pete Hegseth and Hung Cao, the acting Navy secretary, Sen. Richard Blumenthal, D-Conn., described a list of reported problems on the ship.

"There have been widespread reports of shortages of basic supplies, water contamination, plumbing issues, deteriorating mental health, deck safety concerns and disruptions in the mail system, which have caused many care packages in route to the ship to be lost in transit for months," he wrote about the problems, many of which were reported earlier by Navy Times and Stars and Stripes.

Blumenthal added that the Trump administration had kept aircraft carriers at sea far longer than usual during its pressure campaign against Venezuela and its war with Iran.

Sen. Ruben Gallego, D-Az., said in a social media post Wednesday that he was requesting an overnight visit to the Lincoln for a bipartisan delegation of lawmakers.

"Unlike Donald Trump, I've seen active duty," said Gallego, who served in combat as a Marine. "The way he's treating our service members as he carries out this illegal war is not just disgusting; it's dangerous."

The Navy is sending the aircraft carrier George Washington to the Middle East to relieve the Lincoln, according to a U.S. official who spoke on the condition of anonymity because they were not authorized to speak publicly about ship schedules.

"We make sure every ship, every crew, every captain has everything we can provide them at every single moment," Hegseth told reporters during a visit to Panama on Thursday, according to Reuters. "Some deployments are longer than others, and I have more respect and gratitude for those sailors than anybody. What they do in those high seas in those austere conditions with less port calls – it's incredible."

A second carrier, the USS George H.W. Bush deployed on March 31 and is already operating in the Middle East.

The Navy's newest carrier, the USS Gerald R. Ford, was deployed for 326 days before it returned home in May, breaking the record for the longest carrier deployment since the Vietnam War.

The Ford deployed from Norfolk, Virginia, on June 24, 2025, and was operating in the Mediterranean when it was redirected to the Caribbean in October as part of force that captured President Nicolás Maduro of Venezuela. In February the ship was sent to the Middle East as part of a buildup of U.S. military forces in the region that launched the war against Iran late that month.

During its deployment, the ship suffered a fire and food shortages along with mechanical problems.

The longer warship deployments are, the more they wear on people and equipment alike. When in constant operation, gear often begins to break or become inoperable if replacement parts are not readily available. And the nonstop cycle can take a toll on morale.

Keeping warships out for extended periods often also creates other issues, such as upending plans that keep ships in certain parts of the globe for strategic reasons, along with interrupting shipyard maintenance schedules that are developed years in advance.

"The Navy has a lot of flexibility to react to contingency operations, but as those deployments get extended and demand more underway time outside of normal schedules, readiness and maintenance suffer," Mike Franken, a retired Navy vice admiral, said in an interview. "We just don't have the ability to recover from that quickly. It will take years."

The Lincoln itself had to fend off attacks from Iran during the early phase of the war.

"Iran shot hundreds and hundreds of missiles and one-way attack drones at our aircraft carrier," Hegseth told reporters at the Pentagon on April 8. "Every single one of those shots, easily shot down miles and miles away from the Abe Lincoln."

The Lincoln has also helped enforce the U.S. blockade of Iranian ports, which initially ran from April 13 until a ceasefire agreement was announced in mid-June, and then resumed on July 15.

FROM PAGE 1A

DEFAMATION

Rebeckah Hall, Billing Coordinator Rachel Williams and Mental Health Director Kristy Stiltner — filed separate workplace lawsuits beginning in January. They alleged they were instructed to falsify health care bills and medical records to increase the organization's revenue and that they faced retaliation after refusing.

Two more former employees, former Revenue Cycle Manager Kendra Allen and former Quality Improvement Director Jennifer Salisbury, filed lawsuits in June with similar allegations.

The former employees' lawsuits claim, among other things, that services were billed under licensed providers who did not provide them, that the location of services was sometimes changed to increase reimbursement and that employees were instructed to disregard billing concerns involving Medicare and Medicaid.

Bishnoi's alleged involvement in the billing practices has been a recurring allegation in the lawsuits. Several former employees have accused him of personally directing improper billing practices. MCCC has denied those claims in court.

The dispute also follows a previously unsealed federal whistleblower lawsuit that accused MCCC of routinely submitting fraudulent claims to government health programs. That case alleged the organization billed for services that were not reimbursable or were not provided and falsified time records.

MCCC says the new lawsuit is intended to counter what it characterizes as false allegations and restore public confidence. The organization says independent and federal financial reviews conducted during the same period did not substantiate fraud or overbilling, according to the lawsuit.

MCCC is a publicly funded community mental health center that provides behavioral health, substance use, crisis intervention, developmental disability and primary care services across Kentucky. It operates about 50 outpatient clinics, along with addiction treatment facilities, primary care clinics, therapeutic foster care programs and housing services, according to its website.

The organization receives a significant portion of its revenue through state and federal reimbursements, including Medicare and Medicaid, according to one of the former employees' lawsuits. MCCC reported more than $132 million in revenue in fiscal year 2024, according to National Center for Charitable Statistics.

MCCC's lawsuit alleges the former employees' statements have jeopardized that financial and operational stability. The organization is seeking damages on claims including defamation, tortious interference with contractual relations and prospective business advantage and abuse of process.

Any monetary damages it recovers will be donated to a charitable organization whose work aligns with its mission, the company said.

"For decades, our employees have earned the trust of the communities we serve through compassionate, high-quality care," Bishnoi said. "Our focus remains on our patients and our mission. We believe this lawsuit is a necessary step to protect both."

MCCC is a separate company unaffiliated with Whitesburg-based Mountain Comprehensive Health Corp., which operates medical clinics across Eastern Kentucky and Southwestern Virginia.