

Office of the NEW YORK STATE

COMPTROLLER

2018 Annual Report On Local Governments



New York State Comptroller
THOMAS P. DiNAPOLI

JANUARY 2019

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2018

Division of Local Government and School Accountability

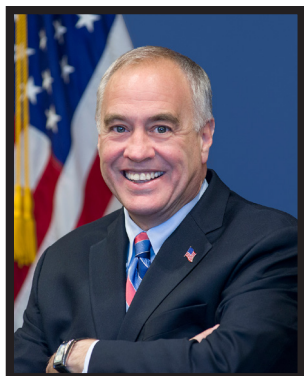
Mission and Goals

The Division of Local Government and School Accountability's mission is to serve taxpayers' interests by improving the fiscal management of municipalities and school districts in New York State.

To achieve our mission we have developed the following goals:

- Enable and encourage local government officials to maintain or improve fiscal health by increasing efficiency and effectiveness, managing costs, improving service delivery, and accounting for and protecting assets.
- Promote government reform and foster good governance in communities statewide by providing local government and school officials with up-to-date information and expert technical assistance.

A Message From New York State Comptroller Thomas P. DiNapoli



One of my most important responsibilities as State Comptroller is to monitor the financial operations of the State's local governments. This includes conducting audits of municipalities, school districts and other local entities, gathering and reporting on local financial data, and providing training and accounting guidance to local officials. Our website includes a wealth of information, such as financial data collected from local governments, as well as many reports on their finances and other aspects of their operations. These resources are available to help local officials in performing their duties and keep the public informed of what is happening with their local tax dollars.

The 2018 Annual Report on Local Governments is a summary of the financial state of the State's counties, cities, towns, villages, school districts and fire districts outside of New York City. It uses the latest data available, generally from the local government fiscal years ending in 2017. Overall, the recent pattern of slow but steady growth in revenues and expenditures has continued. In general, the financial condition of local governments is good, although our Fiscal Stress Monitoring System continues to identify some municipalities and school districts experiencing fiscal stress.

This report provides a broad view of the State's local governments. In response to the growing public interest in financial data of all kinds, I am pleased to announce that this year, for the first time, you can explore individual local government finances through a set of [easy-to-understand interactive charts on our website](#). You will find an abundance of information there on your own community and neighboring communities, too.

The Office of the State Comptroller and the Division of Local Government and School Accountability remain committed to providing the public with the best information available about local governments. Well-informed constituents and local officials contribute to better service from counties, cities, town, villages, school districts and all other local governments. I hope you find this report useful, and I encourage you to visit our website and follow us on Facebook, Twitter and YouTube for the latest on our work.

Sincerely,

Thomas P. DiNapoli
State Comptroller



The State of Local Governments

The finances of local governments in New York are generally stable, although there is considerable variation across classes of government and the regions of the State. This annual report focuses on local fiscal years ending (FYE) in 2017 and describes some of the factors driving changes in local revenues, expenditures and indebtedness over time. New York City is excluded from this analysis.¹

This report features several one-page “dashboards” – charts that, taken together, provide a quick overview of major aspects of local government finances. Dashboards for revenues, expenditures and debt accompany the sections that focus on these areas. Additional dashboards offer separate presentations for each class of government (counties, cities, towns, villages, fire districts and school districts). An aggregate FYE 2017 financial data table is included at the end of the report. This year we are accompanying this report with a set of interactive online dashboards to enable users to view data for individual counties, cities, towns, villages and school districts.



Revenues

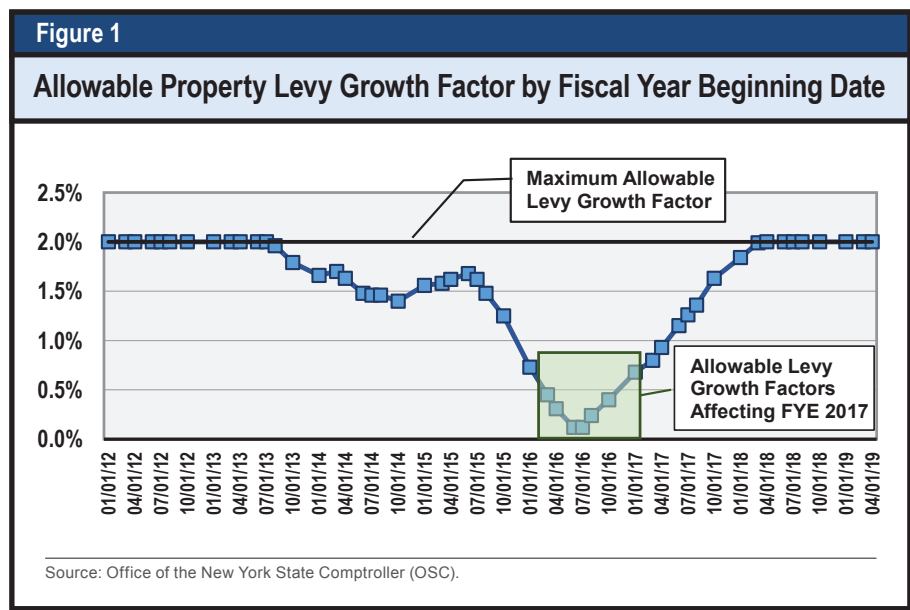
Total revenues for local governments were \$80.7 billion for FYE 2017, up 2.1 percent over 2016, slightly more than the 2.0 percent compound annual growth rate for the last decade. School districts collect just more than half of revenues (\$40.7 billion). Counties received \$24.1 billion, with all other governments accounting for the remaining \$15.9 billion. The three major revenue sources for most local governments are property taxes, State aid and sales taxes. (For more information, see the Revenues Dashboard on page 7.)

Property Taxes

Real property taxes accounted for 44 percent of total local government revenues in FYE 2017, growing by 1.1 percent between FYE 2016 and 2017.

Local governments are subject to two separate property tax limits in New York. Since 2012, they have been subject to a statutory tax levy limit (tax cap), which generally limits levy growth to 2 percent annually or the inflation rate, whichever is

lower.² Between 2013 and 2018, low inflation rates meant that the allowable levy growth factor was less than 2 percent. The allowable levy growth factors that affected FYE 2017 approached zero. It has since risen back to 2 percent and remained at that level. (See Figure 1.)



Revenues - All Major Classes

Fiscal Year Ending in 2017

Total revenues grew at an annual rate of

2.0%

over 10 years

School districts received

62.8%

of real property taxes

State aid grew at an annual rate of

2.4%

over 10 years

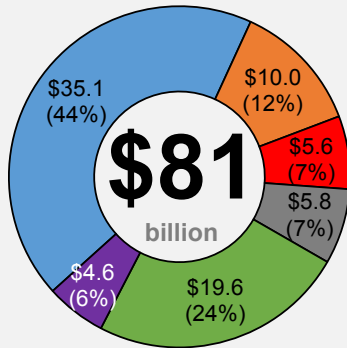
Federal aid totaled

\$4.6

billion

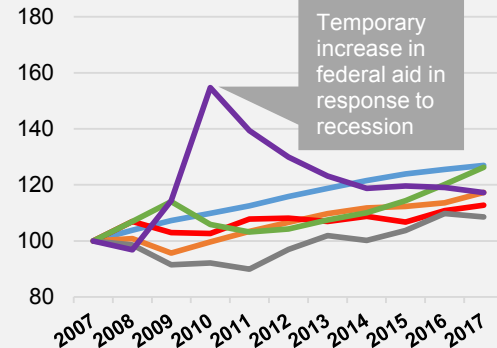
Revenues by Source

Total Dollars (in billions)



- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2007 = 100)

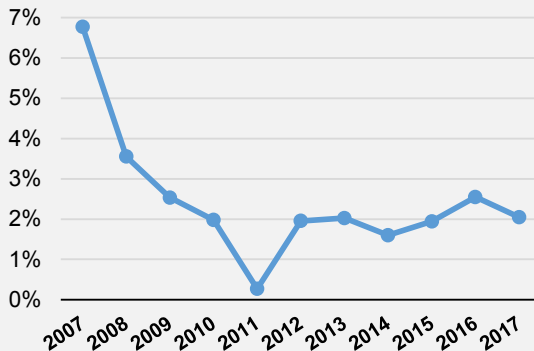


Percentage of Total for Each Class

Revenue Sources	County	City	Town	Village	School District	Fire District
Real Property Taxes	23.3%	26.0%	54.1%	48.6%	54.2%	93.8%
Sales and Use Taxes	33.1%	18.5%	9.3%	5.8%	0.7%	0.0%
Charges for Services	9.9%	20.1%	14.4%	27.9%	0.9%	<0.1%
Other Local Taxes and Revenues	11.2%	12.2%	12.6%	10.0%	3.0%	5.6%
State Aid	12.1%	18.3%	7.4%	5.1%	37.2%	0.2%
Federal Aid	10.4%	4.9%	2.2%	2.6%	4.0%	0.4%

Trends in Total Revenues

Year-Over-Year Change



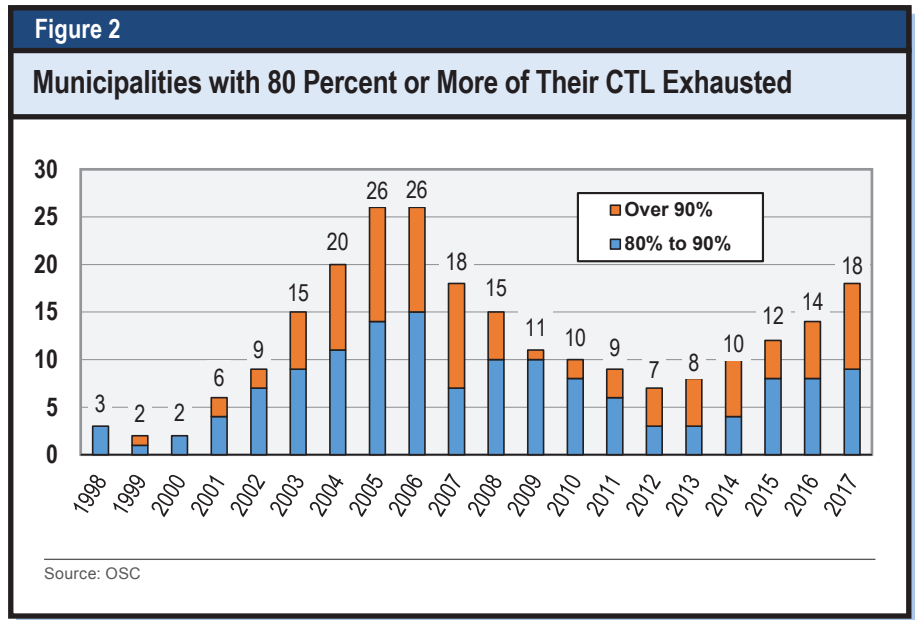
Annual Growth Rate

	2007 to 2017	2016 to 2017
County	1.5%	0.8%
City	1.5%	2.7%
Town	1.5%	2.7%
Village	2.1%	2.1%
School District	2.5%	2.6%
Fire District	2.5%	3.6%
Total	2.0%	2.1%

Source: OSC

Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts except New York City. The annual growth rate for 2007 to 2017 is the compound annual growth rate. Real property tax revenues also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief (STAR) subsidies.

The New York State Constitution also places a limit on the maximum amount of property tax any county, city or village can levy in any given fiscal year, as a percentage of average full value of real property.³ If a county, city or village exceeds its constitutional tax limit (CTL), the State Comptroller is required to withhold certain State aid. Most local governments are not within close proximity of this limit. However, once a local government is within 80 percent of its CTL, its budgetary flexibility can be affected, as local officials will need alternatives to levy increases to balance their budgets. In the last five years, the number of entities getting close to their CTLs (at or over 80 percent of the limit) has been growing – from 7 in FYE 2012 to 18 in FYE 2017. The City of Jamestown was at 100 percent of its CTL in 2017. (See Figure 2.)



State Aid

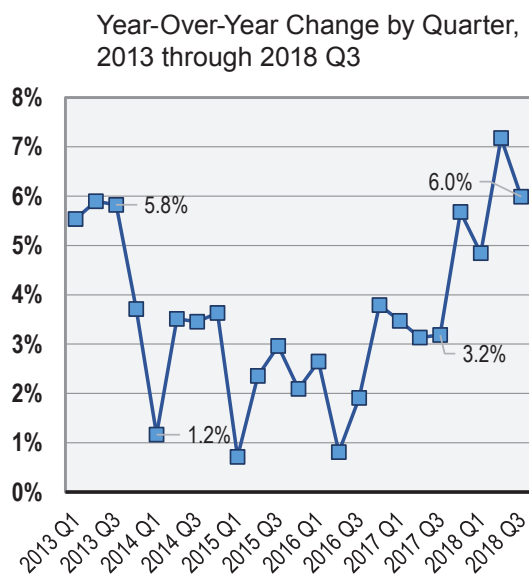
State aid is particularly significant for school districts, accounting for 37 percent of their revenues altogether, having grown over \$4 billion between 2007 and 2017. (See School District dashboard on page 20.) However, State aid also represents a significant share of revenues for other local governments, whether for social service programs in counties, for highways (mostly in cities and towns) or as general municipal aid (mainly in cities). Aside from aid to school districts, State aid has generally been unchanged or reduced over the last decade.

Sales Tax

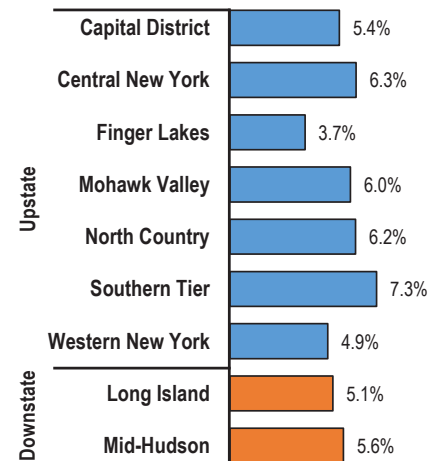
The sales tax is especially important to counties and cities. After growing slowly in the 2014 to 2016 period, sales tax collections grew more rapidly in 2017. Indeed, most upstate regions experienced significant collections gains in 2017 after having lagged for the prior few years. Overall, the acceleration continued into the first three quarters of 2018.⁴ (See Figure 3.)

Figure 3

Selected Statistics on Local Sales Tax Collections



First Three Quarters of 2018 Compared to the Same Period in 2017 by Region



Source: New York State Department of Taxation and Finance with OSC calculations. Excludes New York City and non-localized sales tax distributions, including those for the Metropolitan Transportation Authority.

Expenditures

Local governments spent a total of \$83.3 billion in FYE 2017.⁵ (See Expenditures dashboard.) Almost half of this spending was by school districts, with counties having the next highest level of expenditures. (See Figure 4.)

By Object

When comparing multiple classes of government over time, it is often useful to analyze expenditures by “object” – spending on salaries, benefits, equipment and supplies and debt service. Together, personal services (mostly salaries) and employee benefits accounted for over half of expenditures by local governments, ranging from 36 percent for counties to 67 percent for school districts. Over the past ten years, employee benefits have been the fastest growing item of local government expenditure as well, growing at a compound annual rate of 3.9 percent from 2007 to 2017, even as total expenditures only grew by 2.0 percent per year.

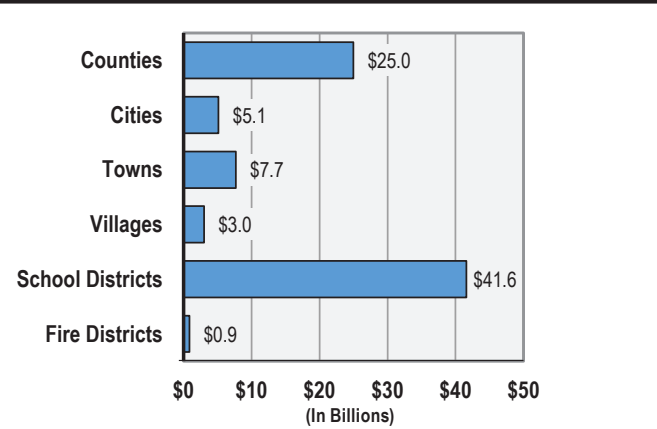
For several years immediately following the most recent recession, expenditures on equipment and capital declined, although they have recovered somewhat since 2014. The decline was most noticeable for school districts, where expenditures dropped by 42 percent from 2010 to 2014. (See Figure 5.) The spending lag in this area could indicate that local governments have deferred necessary infrastructure investments and other capital improvements.

By Function

The more common way to look at expenditures for individual local governments is by “function.” Statewide, education represents the largest function of government, because school district expenditures are almost entirely in this category. Other classes spend more on functions such as general government, public safety, transportation and social services. Functional presentations for individual entities are available in the interactive data being released with this report.

Figure 4

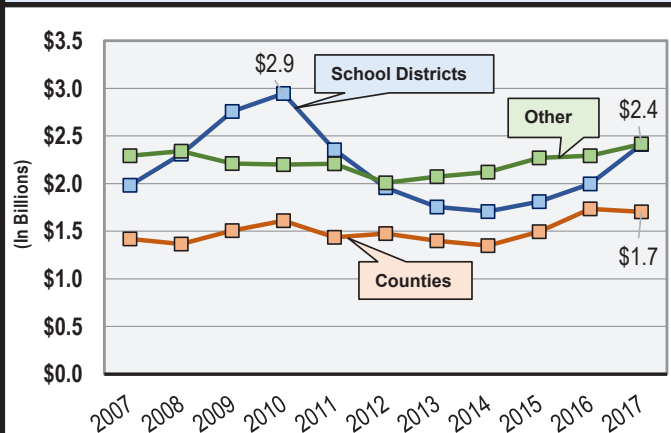
Total Expenditures by Class of Local Government
Fiscal Year End 2017



Source: OSC. Based on local fiscal year end. Excludes entities that had not filed their financial reports by October 31, 2018.

Figure 5

Expenditures on Equipment and Capital Outlay



Source: OSC. Based on local fiscal year end. "Other" includes cities, towns, villages and fire districts.

Expenditures - All Major Classes

Fiscal Year Ending in 2017

Total expenditures grew at an annual rate of

2.0%

over 10 years

School districts accounted for

49.9%

of total spending

Employee benefits grew at an annual rate of

3.9%

over 10 years

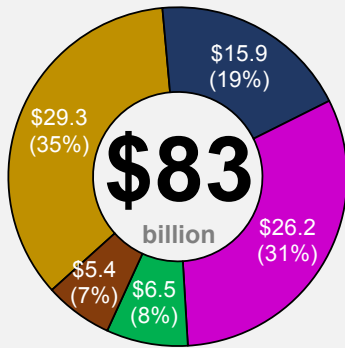
Salaries and benefits accounted for

54.3%

of total spending

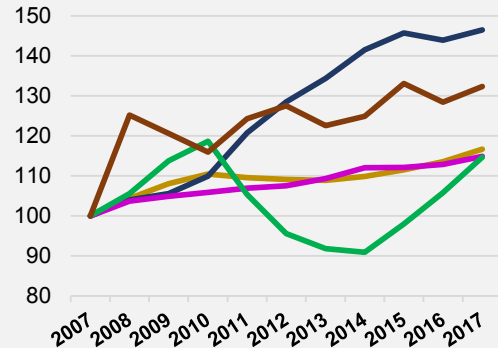
Total Expenditures by Object

Total Dollars (in billions)



- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2007 = 100)

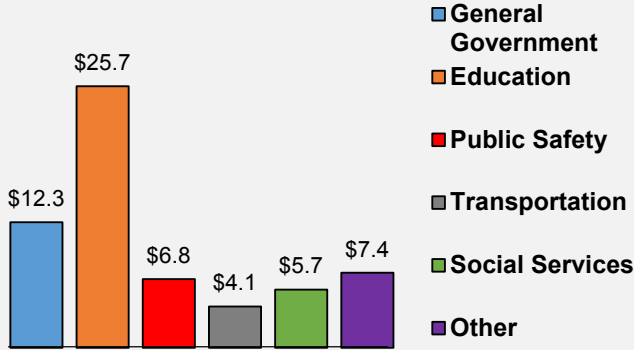


Percentage of Total for Each Class

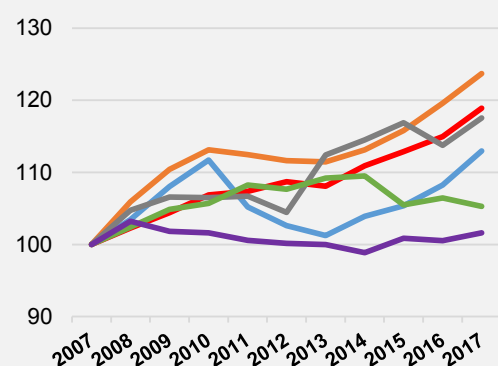
Object of Expenditure	County	City	Town	Village	School District	Fire District
Personal Services	21.3%	34.6%	28.8%	29.5%	45.6%	18.4%
Employee Benefits	14.6%	24.7%	17.3%	17.8%	21.4%	20.2%
Contractual Items	51.4%	20.4%	31.4%	29.5%	21.0%	27.1%
Equipment and Capital Outlay	6.8%	12.5%	13.4%	15.3%	5.8%	27.7%
Debt Principal	3.9%	5.7%	7.0%	6.1%	4.7%	5.0%
Debt Interest	2.0%	2.2%	2.1%	1.8%	1.4%	1.5%

Selected Expenditures by Function

Total Dollars (in billions)



Trend (Indexed FYE 2007 = 100)



Source: OSC

Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts except New York City. The annual rate is the compound annual growth rate. The "Other" category of selected expenditures by function includes health, sanitation, economic development, culture and recreation, community services and utilities.

Debt

Many local governments issue debt as a normal part of their business, usually to purchase assets such as vehicles or other equipment that may be in service for years, or buildings or other infrastructure that may last for decades or generations. The local government then repays the debt during the “useful life” of the purchased item. However, indebtedness can become a problem if debt service consumes an unwieldy portion of revenues, if there is an excessive use of short-term debt or if the ability of the local government to repay comes into question. One measure of the capacity to support debt is debt as a percentage of total revenues. (See Debt Dashboard.)

Outstanding Debt

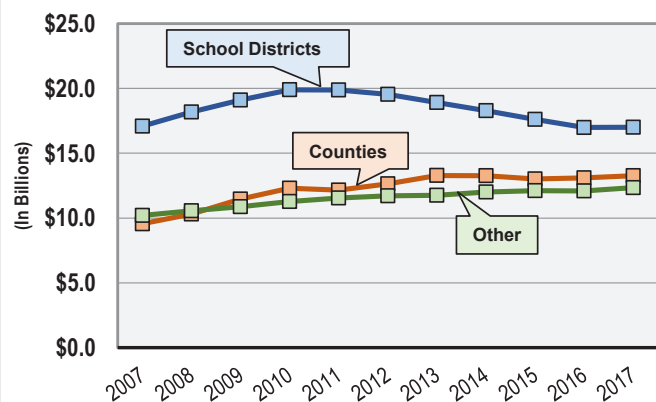
Local governments had \$42.4 billion in outstanding debt at the end of 2017. School district debt was nearly unchanged after declining significantly from 2010 to 2016. Debt for most other types of government increased over the last decade, with larger increases for counties and fire districts. (See Figure 6.)

Debt Service

Debt service payments (principal and interest) increased by 32 percent between 2007 and 2017. However, this increase was entirely due to increased principal payments; interest payments actually declined during this period. In 2017, local governments paid \$4.0 billion in principal and \$1.4 billion in interest. (See Figure 7.) This trend is a positive development, since it suggests local governments are paying off outstanding debt more quickly. This would allow for a long-term reduction in debt service payments, increasing their financial flexibility.

Figure 6

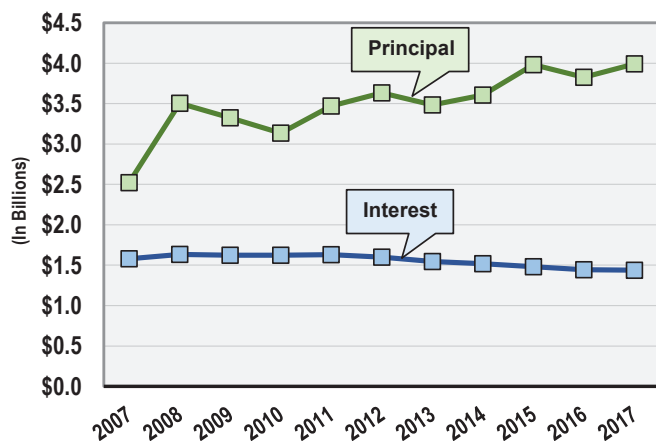
Debt Outstanding by Class of Local Government



Source: OSC. Based on local fiscal year end. "Other" includes cities, towns, villages and fire districts.

Figure 7

Debt Service – Interest and Principal Payments



Source: OSC. Based on local fiscal year end. "Other" includes cities, towns, villages and fire districts.

Debt - All Major Classes

Fiscal Year Ending in 2017

Total debt grew at an annual rate of **1.5%** over the last 10 years

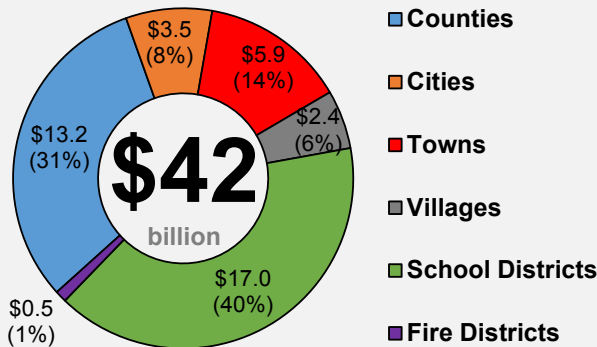
Local governments paid **\$5.4** billion in debt service

School districts account for **40.1%** of debt outstanding

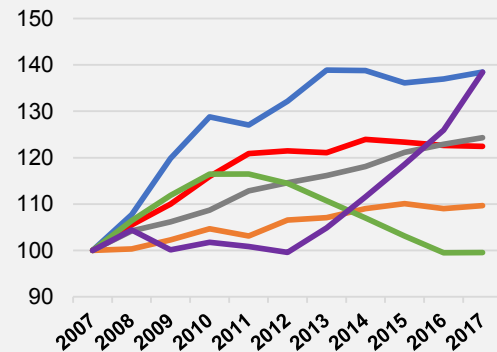
Short-term debt was issued by **4.6%** of local governments

Total Debt Outstanding

Total Dollars (in billions)

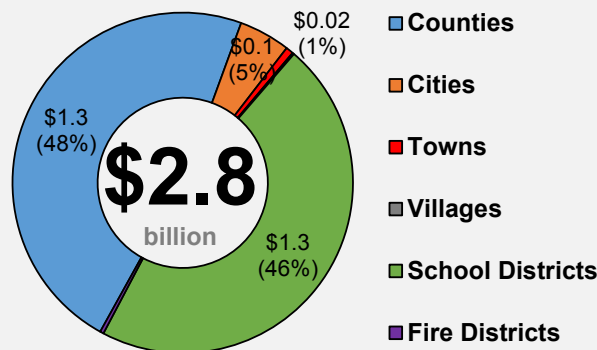


Trend (Indexed FYE 2007 = 100)

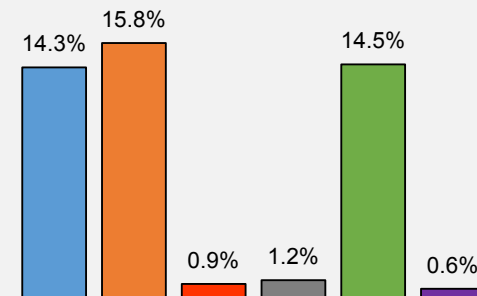


Short-Term Debt Issued

Total Dollars (in billions)

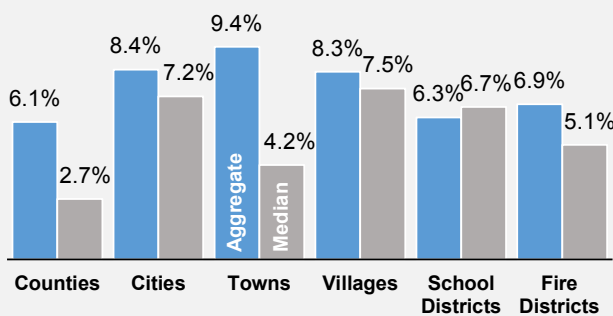


Percentage of Entities in Each Class That Issued Short-Term Debt

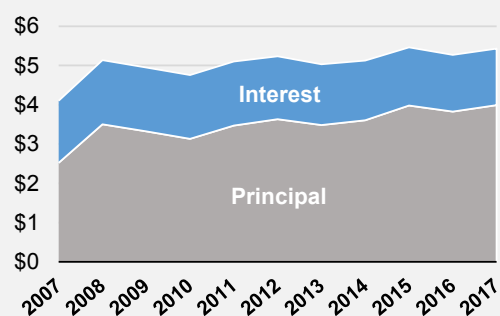


Debt Service

As a Share of Total Revenue



Trend (in billions)



Source: OSC

Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts except New York City. Shares of debt that are less than 1 percent are not shown in the pie charts above. Short-term debt includes revenue anticipation notes, tax anticipation notes, budget notes and deficiency notes.

Short-Term Debt

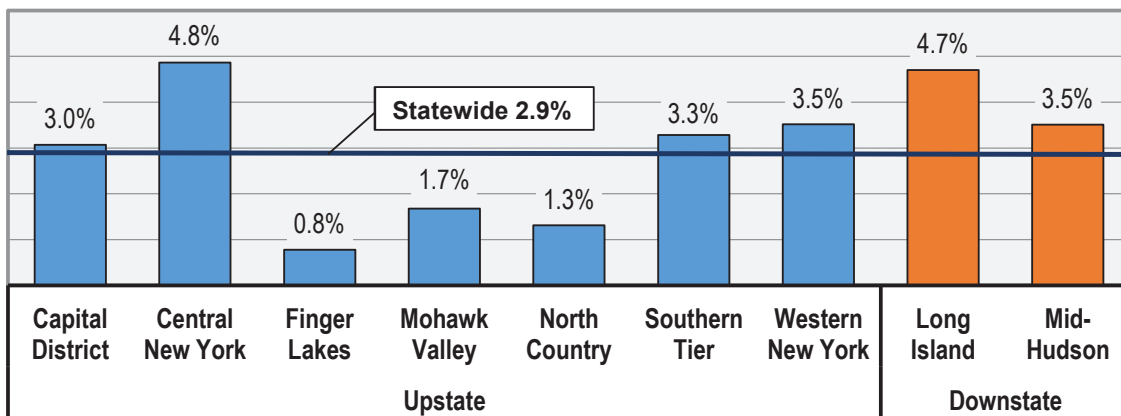
Local governments may issue short-term debt to address unanticipated expenditures (e.g., extreme weather events) or cash flow timing issues (e.g., expenditure payments due before revenues are collected).⁶ However, short-term debt can also indicate that a local government is not managing its finances effectively, and increasing reliance on short-term debt issuance can be a sign of fiscal stress. In 2017, 4.6 percent of local governments issued short-term debt, with cities, counties and school districts issuing the most.

Fiscal Stress

The Comptroller's Fiscal Stress Monitoring System (FSMS) found that 2.9 percent of local governments—37 municipalities and 26 school districts—were in stress in FYE 2017. Fiscal stress was more common in the downstate regions, with 4.7 percent of local governments in the Long Island region and 3.5 percent of the local governments in the Mid-Hudson region experiencing stress. Individual scores and more information about FSMS are available at www.osc.state.ny.us/localgov/fiscalmonitoring.⁷

Figure 8

Percentage of Local Governments in a Fiscal Stress Category, by Region, FYE 2017



Source: OSC. Based on local fiscal year end.

Risks and Opportunities

Though the vast majority of local governments do not exhibit the level of fiscal stress necessary to be placed on the FSMS stress list, most local governments face some degree of financial pressure. The data show health insurance premium rates in the State continue to increase at a rapid rate, and spending patterns indicate that many local governments may have been deferring maintenance on equipment and capital, in which case they may be facing rising expenses in the coming years.⁸ This is especially problematic given the repair, replacement and upgrade needs of New York's aging infrastructure. OSC has issued several reports on local infrastructure, focusing on the challenges of maintaining and upgrading municipal sewer systems, drinking water systems, bridges and dams.⁹

6.5 billion gallons
Volume of untreated combined
sewage and stormwater
released in 2017

On the revenue side, the property tax cap and, in a few cases, the constitutional tax limit will continue to constrain the ability of local governments to increase tax levies. New York State's efforts to limit spending may mean State aid for local governments, particularly for non-school district entities, will continue to grow very slowly, if at all.¹⁰

Local governments should continue to budget conservatively and seek innovative solutions that contain costs while enabling them to provide needed services. Exploring shared services to achieve savings or improve quality may be a valuable strategy.¹¹ Ultimately, an integrated multiyear planning process can be of great assistance in meeting all these challenges and in identifying future opportunities to improve operations and finances. The State's Financial Restructuring Board for Local Governments has funding available to help eligible municipalities engage in multiyear planning with the assistance of an external advisor. (See frb.ny.gov.)

\$360 million
Estimated amount needed to
repair locally owned high-hazard
and intermediate-hazard dams

On the following pages are dashboards that summarize financial data for counties, cities, towns, villages, school districts and fire districts.

Financial Data for Counties (57 Total)

Fiscal Year Ending in 2017

Total revenues grew at an annual rate of

1.5%

over 10 years

Real property taxes accounted for

23.3%

of total revenues

Employee benefits grew at an annual rate of

3.1%

over 10 years

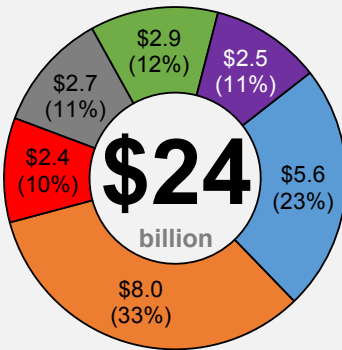
Total debt outstanding amounted to

\$13.2

billion

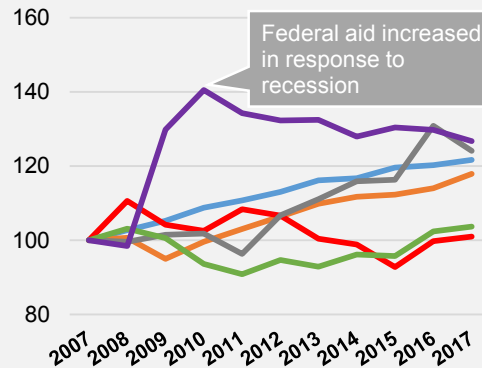
Revenues by Source

Total Dollars (in billions)



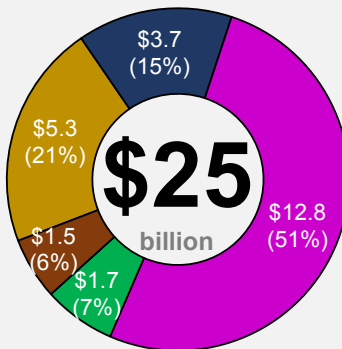
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2007 = 100)



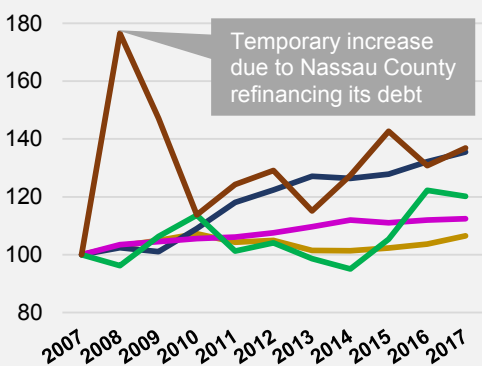
Expenditures by Object

Total Dollars (in billions)



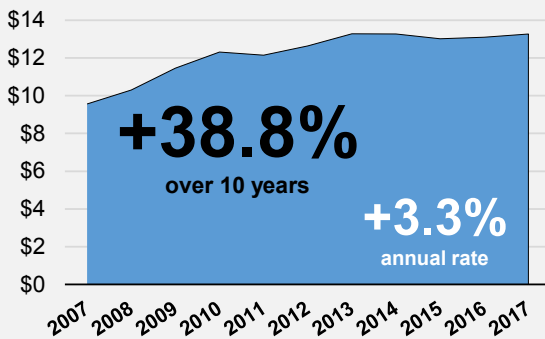
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2007 = 100)

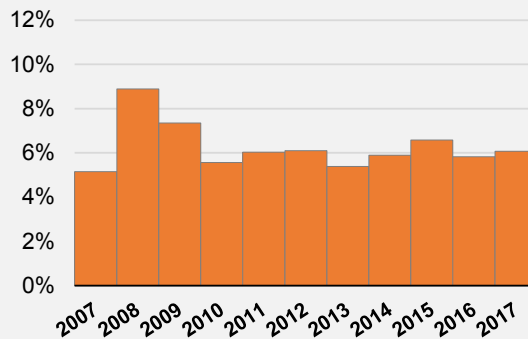


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State counties except the five boroughs of New York City. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments).

Financial Data for Cities (61 Total)

Fiscal Year Ending in 2017

Total revenues grew at an annual rate of

1.5%

over 10 years

Real property taxes accounted for

26.0%

of total revenues

Employee benefits grew at an annual rate of

4.6%

over 10 years

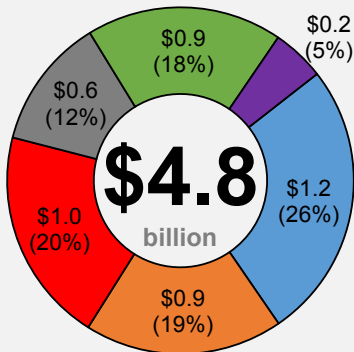
Total debt outstanding amounted to

\$3.5

billion

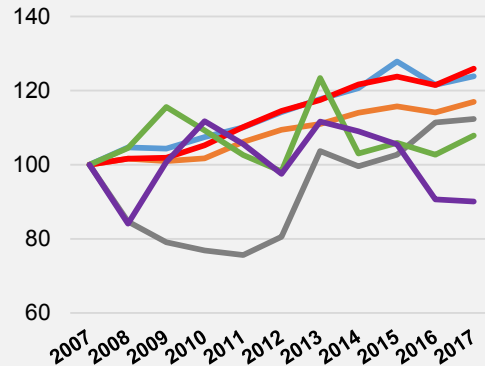
Revenues by Source

Total Dollars (in billions)



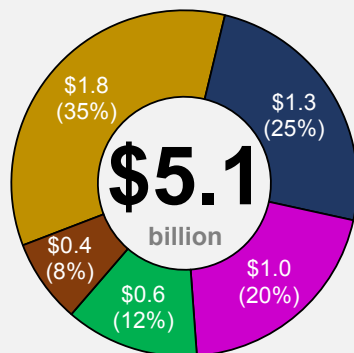
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2007 = 100)



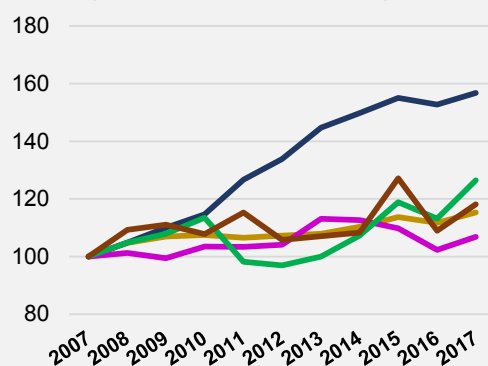
Expenditures by Object

Total Dollars (in billions)



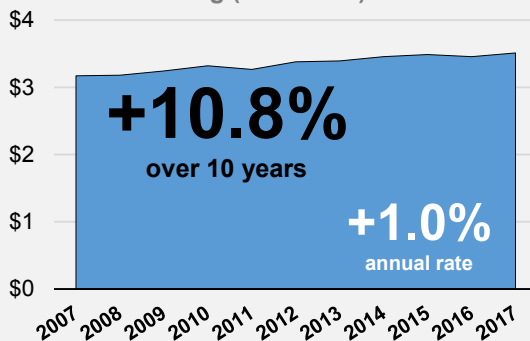
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2007 = 100)

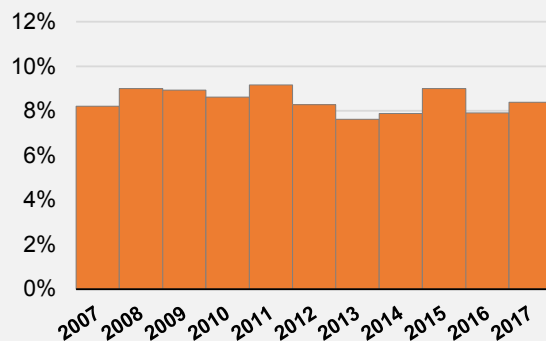


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State cities except New York City. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments).

Financial Data for Towns (932 Total)

Fiscal Year Ending in 2017

Total revenues grew at an annual rate of

1.5%

over 10 years

Real property taxes accounted for

54.1%

of total revenues

Employee benefits grew at an annual rate of

4.3%

over 10 years

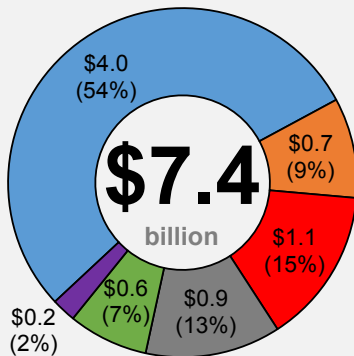
Total debt outstanding amounted to

\$5.9

billion

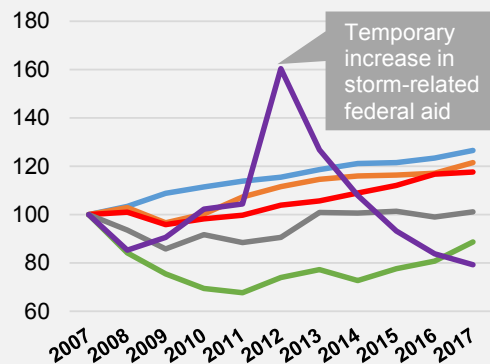
Revenues by Source

Total Dollars (in billions)



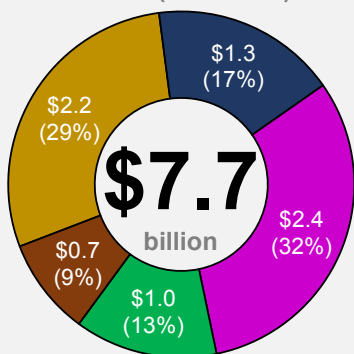
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2007 = 100)



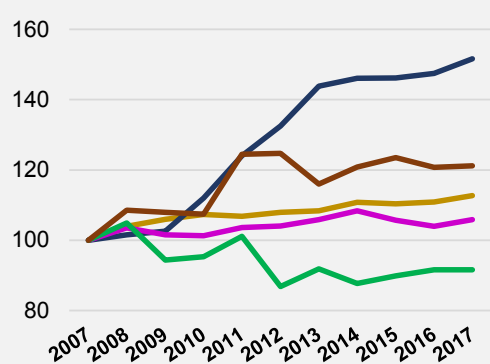
Expenditures by Object

Total Dollars (in billions)



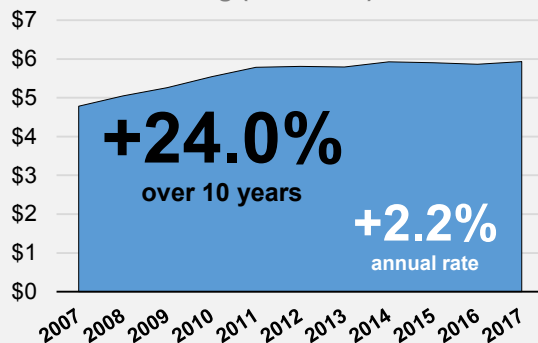
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2007 = 100)

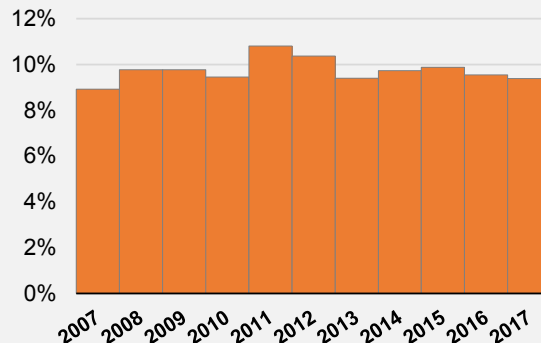


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State towns. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments).

Financial Data for Villages (545 Total)

Fiscal Year Ending in 2017

Total revenues grew at an annual rate of

2.1%

over 10 years

Real property taxes accounted for

48.6%

of total revenues

Employee benefits grew at an annual rate of

4.5%

over 10 years

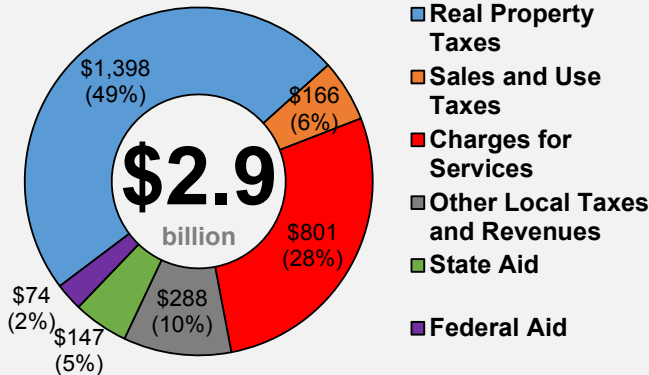
Total debt outstanding amounted to

\$2.4

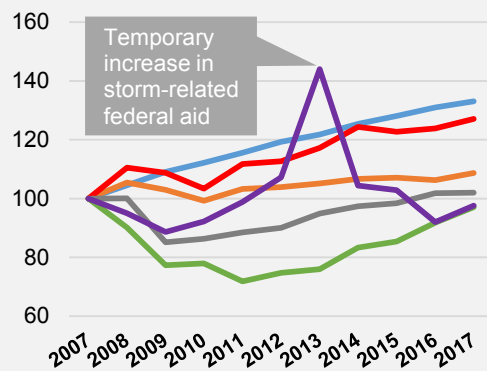
billion

Revenues by Source

Total Dollars (in millions)

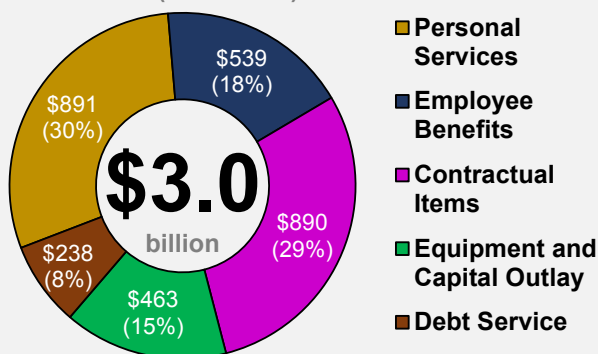


Trend (Indexed FYE 2007 = 100)

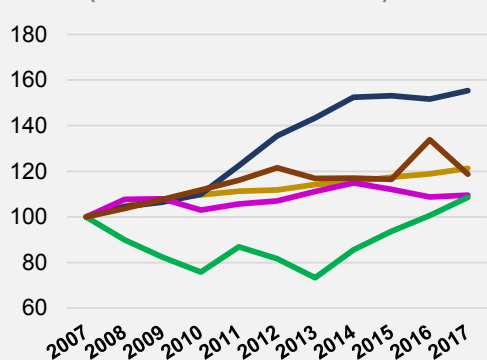


Expenditures by Object

Total Dollars (in millions)

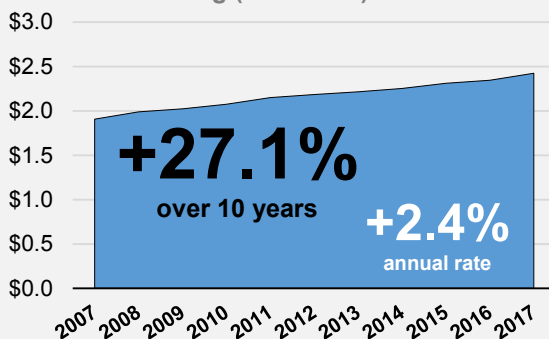


Trend (Indexed FYE 2007 = 100)

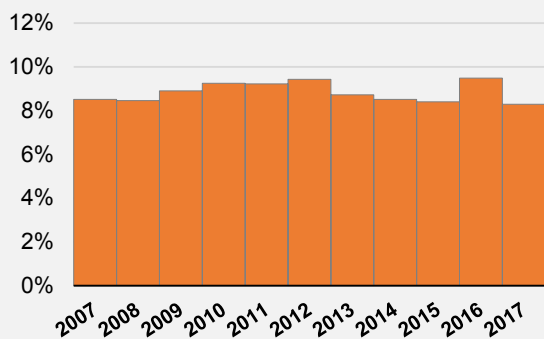


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State villages. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments).

Financial Data for School Districts (693 Total)

Fiscal Year Ending in 2017

Total revenues grew at an annual rate of

2.5%

over 10 years

Real property taxes accounted for

54.2%

of total revenues

Employee benefits grew at an annual rate of

4.0%

over 10 years

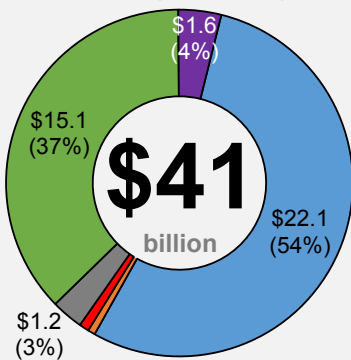
Total debt outstanding amounted to

\$17.0

billion

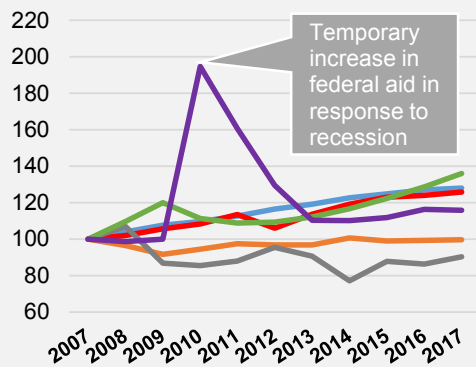
Revenues by Source

Total Dollars (in billions)



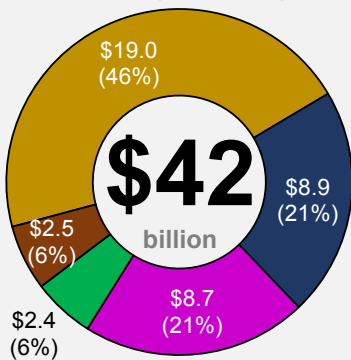
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2007 = 100)



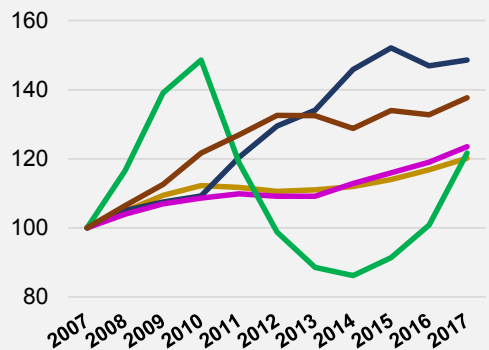
Expenditures by Object

Total Dollars (in billions)



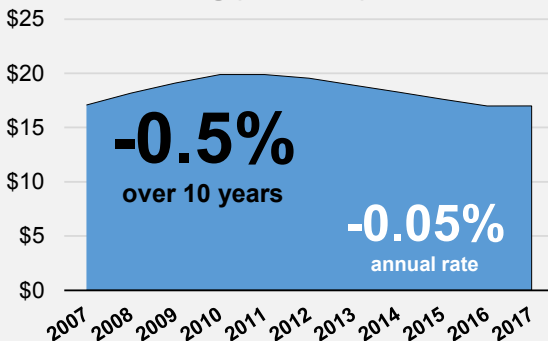
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2007 = 100)

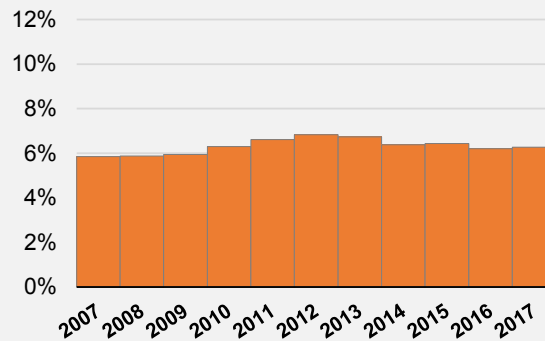


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes school districts outside of New York City. The annual rate is the compound annual growth rate. Real property tax revenues also include other real property tax items such as payments in lieu of taxes (PILOTS) and school tax relief payments (STAR payments). Shares that are less than 1 percent are not shown in the charts above.

Financial Data for Fire Districts (891 Total)

Fiscal Year Ending in 2017

Total revenues grew at an annual rate of

2.5%

over 10 years

Real property taxes accounted for

93.8%

of total revenues

Employee benefits grew at an annual rate of

4.8%

over 10 years

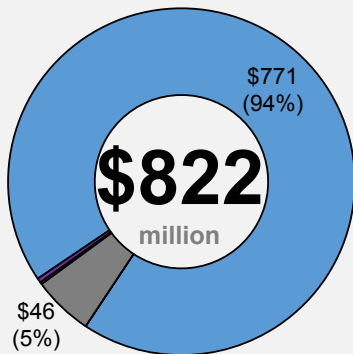
Total debt outstanding amounted to

\$467

million

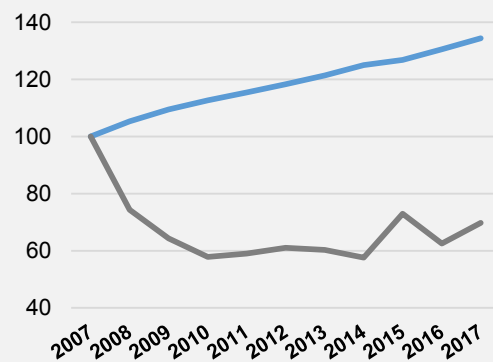
Revenues by Source

Total Dollars (in millions)



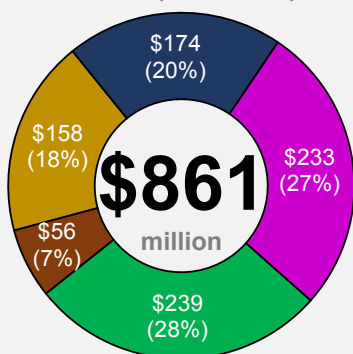
- Real Property Taxes
- Other Local Taxes and Revenues

Trend (Indexed FYE 2007 = 100)



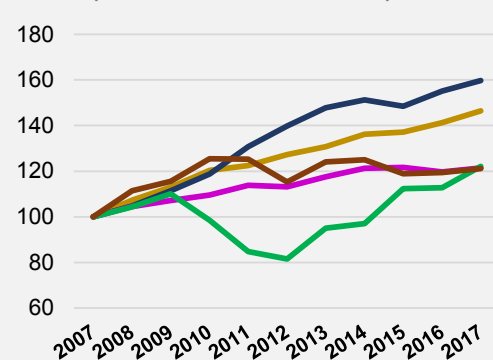
Expenditures by Object

Total Dollars (in millions)



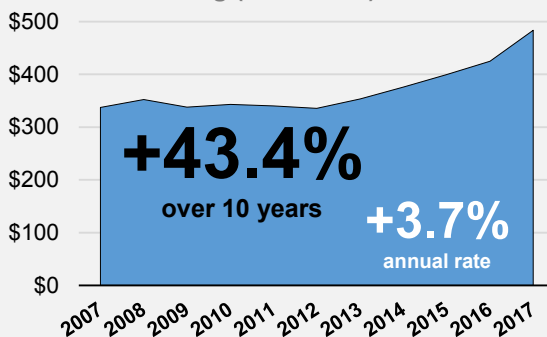
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2007 = 100)

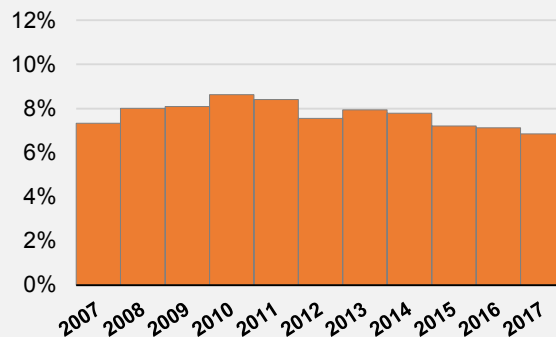


Debt Trends

Debt Outstanding (in millions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State fire districts. The annual rate is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments). Shares that are less than 1 percent are not shown in the charts above.

Legislation Affecting Local Governments

Recently Enacted Legislation

Countywide Shared Service Initiative Extension

(Chapter 55, Part EE of the Laws of 2018)

The State Fiscal Year (SFY) 2018-19 Enacted Budget extended the countywide shared service panels—originally included as part of the SFY 2017-18 Enacted Budget—until December 31, 2021. The Enacted Budget also added a new Article 12-I to the General Municipal Law (GML), which, among other things, expanded the types of eligible panel participants. The chief executive officer of a county, who serves as the panel chair, may now invite representatives of any fire district, fire protection district, school district, board of cooperative educational services (BOCES) or special improvement district in the county to participate. In addition, the Enacted Budget included a \$225 million appropriation to match eligible net savings “actually and demonstrably realized” by these panels’ approved and submitted property tax savings plans.¹²

Workplace Sexual Harassment Judgments

(Chapter 57, Part KK, Subpart C of the Laws of 2018)

An amendment to the Public Officers Law added a new Section 18-a which, in part, provides that “public entities” are entitled to reimbursement, in certain circumstances, from their “employees,” for payments made to satisfy certain judgments relating to claims of sexual harassment. The definition of “public entity” includes counties, cities, towns, villages, school districts, BOCES, and any other political subdivision or civil division of the State. The legislation also includes a definition of “employee,” which, among others, includes any commissioner, member of a public board or commission, trustee, director, officer, employee, or any other person holding a position by election, appointment or employment in the service of a public entity, regardless of whether that individual is compensated.

OSC Legislative Proposals

Comptroller DiNapoli regularly advances legislative proposals to increase local government transparency and accountability. His 2018 proposals affecting local governments included:

- **Granting OSC authority to audit local development corporations (LDCs)** and certain other organizations controlled by municipal corporations and certain other governmental entities.
- **Strengthening the ethics law covering local governments** to prohibit municipal officers and employees from acting in relation to certain matters in which they or their relatives have an interest, and to expand the issues that must be addressed in local codes of ethics to include nepotism (among other things).

More information about the Comptroller’s current legislative proposals is available on the OSC website at:
www.osc.state.ny.us/legislation/index.htm

Sunset Date Extenders

A “sunset date” is a date set forth in a bill for the expiration of a provision of law. The following provisions were extended in 2018:

- Authorization in General Municipal Law Section 103 (1), (2) for local governments to accept bids in electronic format for public work and purchase contracts that are subject to competitive bidding requirements, as well as the authorization for municipalities, school districts and district corporations in Local Finance Law Sections 58.00 and 59.00 to receive electronic bids for the public sale of bonds. (Extended until June 1, 2023; Chapter 70 of the Laws of 2018.)
- Authorization in Local Finance Law Section 33-a for municipalities, school districts and district corporations to finance judgments related to certain tax proceedings including certiorari and small claims assessment review over multiple years. (Extended until June 15, 2023, Chapter 87 of the Laws of 2018.)
- Authorization in General Municipal Law Section 109-b for political subdivisions to finance certain purchases through an installment purchase contract and to issue "certificates of participation" in connection with an installment purchase contract. (Extended until July 15, 2021; Chapter 113 of the Laws of 2018.)
- Various provisions of the Local Finance Law (LFL) are extended to July 15, 2021 (Chapter 113 of the Laws of 2018), including:
 - Authorization for municipalities, school districts and district corporations in LFL Section 21.00 to pay the first installment eighteen months after the date of issuance of serial bonds or two years after the date of issuance of bond anticipation notes, whichever is earlier.
 - Maintaining the ability of a municipality, school district or district corporation finance board to determine the amounts and terms of bonds redeemed prior to maturity pursuant to LFL Section 53.00.
 - Authorization in LFL Section 54.90 for municipalities to issue variable rate bonds and notes.
 - Suspending the 5 percent down payment requirement municipalities would need for capital improvement or equipment purchases by extending LFL Section 107(d)(9).
 - Continuing to have the State Comptroller promulgate rules and issue approvals of the negotiated sale of bonds and notes pursuant to LFL Section 57.10.
 - Other provisions relating to variable rate obligations and original issue discount bonds.

Services and Resources

Audits and Oversight

The Division of Local Government and School Accountability helps to advance government reform and transparency throughout the State through its audit and technical assistance functions. Through these efforts, the Division is able to provide local officials and taxpayers with an independent analysis of their local governments' financial condition, as well as recommending ways to achieve cost savings and efficiencies, strategies for revenue enhancements and methods to improve controls over operations and assets.

362 The Division issued **362** audits of local governments, school districts and local public authorities in 2018.¹³

81 financial condition audits found ineffective budgeting practices, excessive fund balance, and inadequate policies, records and reports.

81

41 audits identified a total of more than **\$8.2 million** in cost savings and revenue enhancements.

\$8.2 million

499 property tax cap calculation reviews were conducted to help local governments comply with the tax cap law.

499

Our Audit Work

23 audits identified school districts that had retained excess or improper reserves.

52 audits identified school districts and local governments that had retained excess fund balance.

71 audits cited poor budgeting practices by school districts and local governments.

34 Information Technology (IT) security audits and **25** confidential IT letters revealed weaknesses potentially allowing for unauthorized access to confidential information, inappropriate use and/or exposure to ransomware threats.

7 accountability audits identified almost **\$339,000** of misappropriated local government assets.

11 local governments and school districts exceeded their tax levy limits without a proper override.

Financial Condition Audit Highlights

A town overfunded several reserves by a total of \$24 million, causing its tax levies to be higher than necessary.

\$24 million
in overfunded
reserves

Despite previous OSC audit recommendations, a school district drew down its general fund balance by about \$1.2 million over three years to pay for district operations, in an effort to keep tax increases below the tax cap. After repeatedly subsidizing the school lunch fund with general fund money and running a significant \$286,000 deficit in the 2017-18 school year, the district completely depleted its unrestricted fund balance.

Unbalanced budgets

\$286,000
deficit

A city used one-time financing sources to fund recurring expenditures and therefore adopted budgets that were not structurally balanced. At the same time, the city also issued debt totaling \$4.9 million from 2013 through 2015 to meet recurring operating expenditures. As a result, at the end of the 2016 fiscal year, the city's water and recreation funds had total cumulative deficits of \$586,656.

Use of one-shots

\$586,656
deficit

Accountability Audit Highlights

A city improperly paid \$291,070 in firemen's pension fund benefit payments to a beneficiary who had died in 1983. A family member was fraudulently collecting the pension payments, which the city had not identified for more than 30 years due to poor controls.

\$291,070
misappropriation

A charter school performed a rent analysis before leasing four buildings but did not consider whether purchasing the buildings would have been more cost effective. Our cost analysis indicated the school could have achieved savings of nearly \$3 million from August 2014 to June 2032 by acquiring and renovating the buildings.

\$3 million
overspent in
lease payments

A village paid \$76,200 in real property taxes over the past 12 years for two unused properties located outside of its boundaries that had previously been used as a water source. Because the village no longer used the properties to benefit taxpayers, it should have sold them to stop paying the property taxes.

\$76,200
in unnecessary
property tax payments

Statewide Audits and Regional Projects

The Division often undertakes audits and projects involving several local governments in a region or statewide. In 2018, the Division audited 10 towns and examined whether town assessors were properly administering agricultural, senior citizens' and veterans' real property tax exemptions.



Local Official Training

The Division provides a comprehensive array of training opportunities, including accounting schools, statewide and regional conferences, leadership institutes, workshops and webinars through the Academy for New York State's Local Officials. These programs allow Division staff to develop and maintain strong relationships with local officials across the State and to share critical knowledge that helps them fulfill their responsibilities.

Research on Local Governments

The Division produces a wide range of research that informs OSC's legislative policy agenda, helps local officials understand the factors affecting the fiscal condition of their municipalities and school districts, and assists the public in accessing and understanding local government data.¹⁴

In 2018, the Division published reports on a variety of topics, including:

- Property tax exemptions
- Combined sewer overflows
- Dam infrastructure
- The economy of the Mohawk Valley Region
- Professional service procurement
- Industrial development agencies
- Sales tax collection updates
- Fiscal Stress Monitoring System results.

Division publications are available at:
www.osc.state.ny.us/localgov/researchpubs/index.htm

Training Highlights and Resources

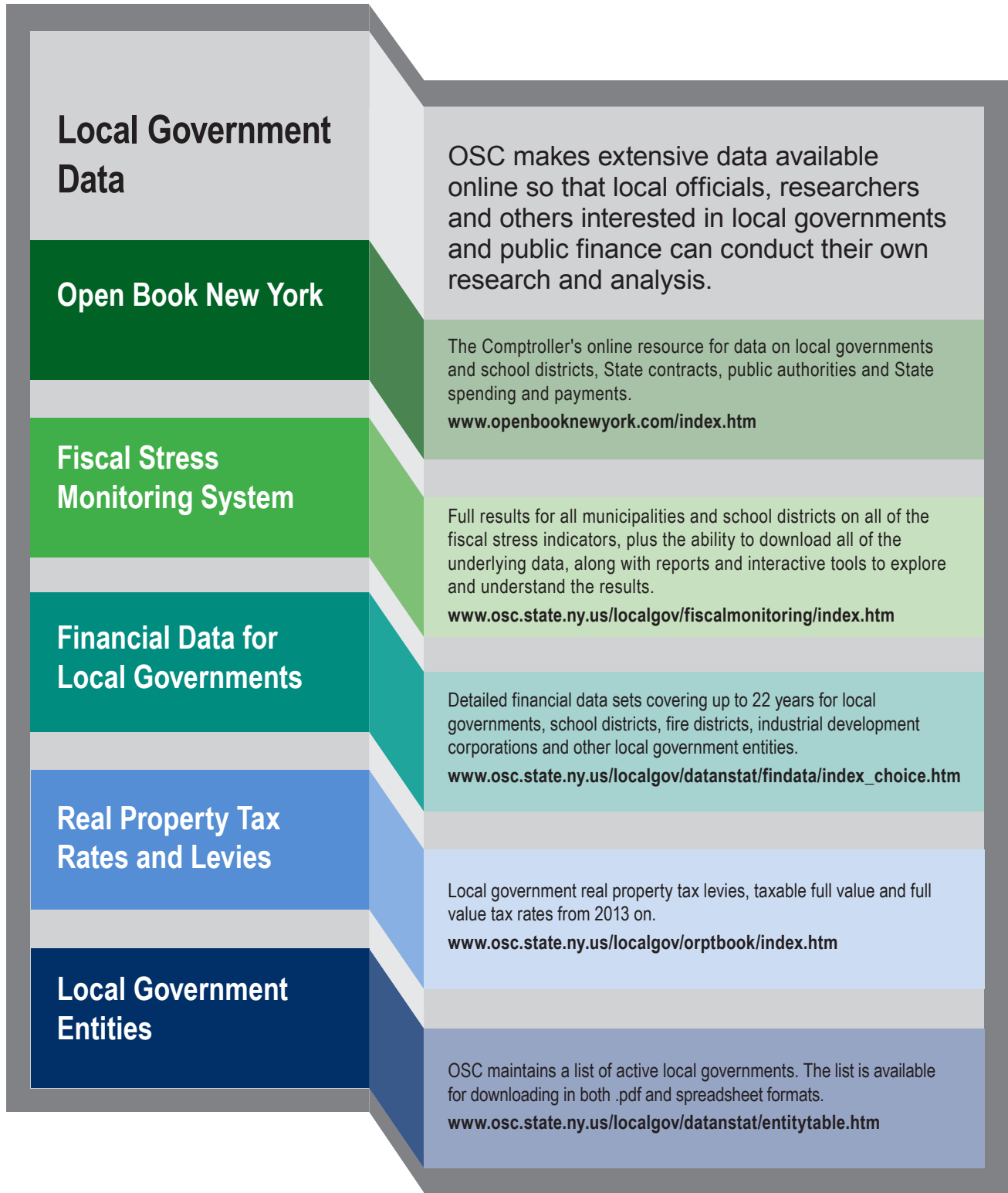
In 2018, the Division conducted **137** training sessions for local officials and staff at statewide, regional and online events, with total attendance of over **9,000**.

137
Training
Sessions

Over
9,000
Attendees



The Academy for New York State's **Local Officials** delivers a focused curriculum to help local officials carry out their duties. Local officials can search for training by both job role and topic. A calendar of upcoming events is also available:
www.osc.state.ny.us/localgov/academy/index.htm.



Summary of Finances for Major Classes of New York State Local Government – Fiscal Year Ending in 2017

(Excluding New York City)

(All dollar amounts in millions)	County	City	Town	Village	School District	Fire District	Total
Population - Census Estimates	11,226,701	2,215,543	9,001,232	1,914,673			
Full Value of Real Property	\$1,175,842.8	\$120,795.1	\$1,057,598.2	\$253,391.3	\$1,191,983.7		
Debt Issued:							
Bonds	\$1,857.4	\$345.1	\$753.9	\$358.6	\$1,918.0	\$96.6	\$5,329.6
Other Debt	\$1,695.4	\$383.8	\$311.0	\$177.4	\$3,001.4	\$46.4	\$5,615.4
Outstanding Debt:							
Bonds (Gross)	\$11,199.8	\$2,716.7	\$4,953.7	\$1,971.9	\$13,556.3	\$389.9	\$34,788.3
Other Debt	\$2,036.0	\$788.9	\$902.6	\$398.3	\$3,441.8	\$76.9	\$7,614.6
Total Outstanding Debt	\$13,235.9	\$3,475.6	\$5,856.3	\$2,370.3	\$16,998.2	\$466.8	\$42,402.9
Revenues:							
Real Property Taxes & Other Real Property Tax Items	\$5,620.8	\$1,247.9	\$4,028.2	\$1,397.6	\$22,066.1	\$770.6	\$35,131.2
Sales and Use Taxes	\$7,972.0	\$889.4	\$691.0	\$165.7	\$277.1	NA	\$9,995.2
Charges for Services	\$2,380.6	\$964.2	\$1,076.3	\$801.4	\$370.0	\$0.0	\$5,592.6
Other Local Taxes & Revenues	\$2,705.9	\$587.7	\$935.6	\$288.4	\$1,211.0	\$46.2	\$5,774.8
Total Local Revenues	\$18,679.4	\$3,689.3	\$6,731.0	\$2,653.1	\$23,924.2	\$816.8	\$56,493.8
State Aid	\$2,915.9	\$878.5	\$551.8	\$147.3	\$15,127.2	\$1.6	\$19,622.5
Federal Aid	\$2,508.1	\$235.9	\$166.7	\$74.0	\$1,623.7	\$3.4	\$4,611.8
Total State and Federal Revenues	\$5,424.0	\$1,114.4	\$718.6	\$221.3	\$16,750.9	\$5.0	\$24,234.3
Total Revenues	\$24,103.4	\$4,803.7	\$7,449.6	\$2,874.4	\$40,675.2	\$821.8	\$80,728.1
Expenditures:							
Personal Services	\$5,313.6	\$1,777.8	\$2,215.4	\$891.0	\$18,973.4	\$158.1	\$29,329.2
Employee Benefits	\$3,657.9	\$1,267.0	\$1,335.3	\$539.1	\$8,901.2	\$174.4	\$15,874.8
Contractual Items	\$12,841.9	\$1,048.9	\$2,419.7	\$889.8	\$8,742.0	\$233.4	\$26,175.6
Total Current Operations	\$21,813.4	\$4,093.7	\$5,970.3	\$2,319.9	\$36,616.5	\$565.9	\$71,379.7
Equipment and Capital Outlay	\$1,702.4	\$641.3	\$1,028.2	\$463.3	\$2,410.7	\$238.9	\$6,484.8
Debt Service							
Principal	\$971.6	\$290.6	\$535.1	\$184.8	\$1,949.8	\$43.3	\$3,975.2
Interest	\$492.2	\$112.0	\$164.5	\$53.5	\$598.8	\$13.1	\$1,434.0
Total Expenditures	\$24,979.7	\$5,137.6	\$7,698.1	\$3,021.4	\$41,575.9	\$861.1	\$83,273.6

Sources: OSC and U.S. Census Bureau, 2017 Population Estimates.

Notes: Other real property tax items include payments in lieu of taxes (PILOTs) and school tax relief (STAR) subsidies. Other local taxes and revenues include charges to other governments, other non-property taxes, and use and sale of property.

Notes

- ¹ This report uses data reported by local governments to the Office of the New York State Comptroller's (OSC) Division of Local Government and School Accountability. The data are from all local government's fiscal years ending in 2017 (FYE 2017), the latest available for all local governments. Data from prior fiscal years is used for comparative purposes. A small number of local governments did not file FYE 2017 annual financial reports in time for inclusion in this report. For most trend analyses in this report, FYE 2016 data was interpolated for the nonfiling entities.
- ² For more information about the tax cap see, www.osc.state.ny.us/localgov/realprop.
- ³ The Constitutional Tax Limit (CTL) is calculated by taking the municipality's assessed value for the most recent five years, dividing these by equalization rates determined by the Department of Taxation and Finance for each year and then dividing by five to get the five-year average full valuation. The CTL for cities and villages is 2 percent of this five-year average full valuation. The CTL for counties is 1.5 percent of the five-year average full value, unless they pass a local law to increase it to 2 percent. There are also certain debt-related exclusions that affect the amount of the tax levy that is subject to the CTL. For more information on the CTL, see www.osc.state.ny.us/localgov/finreporting/ctl.htm.
- ⁴ Sales tax collection data are from the Department of Taxation and Finance. This will not exactly match the sales tax revenue data used elsewhere in the report.
- ⁵ Expenditures typically exceed revenues for local governments due to the way in which financial reports account for debt proceeds.
- ⁶ Short-term debt in this report refers to revenue anticipation notes, tax anticipation notes, budget notes and deficiency notes.
- ⁷ OSC made changes to enhance FSMS for the FYE 2017 scores, so those scores are not comparable to the scores for prior years. For more information about the specific changes, visit: www.osc.state.ny.us/localgov/fiscalmonitoring/help.htm.
- ⁸ New York State Department of Financial Services, "Proposed 2019 Health Insurance Premium Rates For Individual and Small Group Markets," Press Release, June 1, 2018, at www.dfs.ny.gov/about/press/pr1806011.htm.
- ⁹ See OSC, *A Partially Treated Problem: Overflows From Combined Sewers*, May 2018, at www.osc.state.ny.us/localgov/pubs/research/infrastructure-series/combined-sewers.pdf;
OSC, *Drinking Water Systems in New York: The Challenges of Aging Infrastructure*, February 2017, at www.osc.state.ny.us/localgov/pubs/research/drinkingwatersystems.pdf;
OSC, *Dam Infrastructure: Understanding and Managing the Risks*, June 2018, at www.osc.state.ny.us/localgov/pubs/research/dam-infrastucture-2018.pdf; and
OSC, *Local Bridges by the Numbers*, October 2017, at www.osc.state.ny.us/localgov/pubs/research/local-bridges-by-the-numbers.pdf.
- ¹⁰ New York State, Governor Andrew M. Cuomo, "Governor Cuomo Announces Highlights of the FY 2019 Budget," Press Release, March 30, 2018, at www.governor.ny.gov/news/governor-cuomo-announces-highlights-fy-2019-budget.

Notes

¹¹ See OSC, *Shared Services Among New York's Local Governments: Best Practices and Tips for Success*, November 2009, at www.osc.state.ny.us/localgov/pubs/research/sharedservices.pdf; and

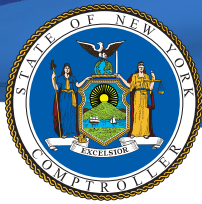
OSC, *Local Government Management Guide: Shared Services in Local Government*, December 2009, at www.osc.state.ny.us/localgov/pubs/lmgmg/sharedservices.pdf.

¹² For more information, see OSC's *Report on the State Fiscal Year 2018-19 Enacted Budget*, April 2018, accessible at: www.osc.state.ny.us/reports/budget/2018/enacted-budget-report.pdf.

¹³ The OSC audits summarized in this section include the *Town of Perinton, Financial Management and Information Technology* (2017M-232); *Eldred Central School District, Financial Condition* (2018M-138); *City of Glen Cove, Financial Condition, Claims Processing and Payroll* (2017M-210); *City of Buffalo, Use of Foreign Fire Insurance Tax Money* (S9-17-8); *Science Academies of New York Charter Schools, Purchase Versus Lease of Buildings* (2017M-279); *Village of Hobart, Board Oversight* (2018M-88); and *Real Property Tax Exemptions Administration* (2017-MR-4). For audit reports, see www.osc.state.ny.us/localgov/audits.

¹⁴ For OSC's local government research reports, see www.osc.state.ny.us/localgov/pubs/listresearch2.htm.

Contacts

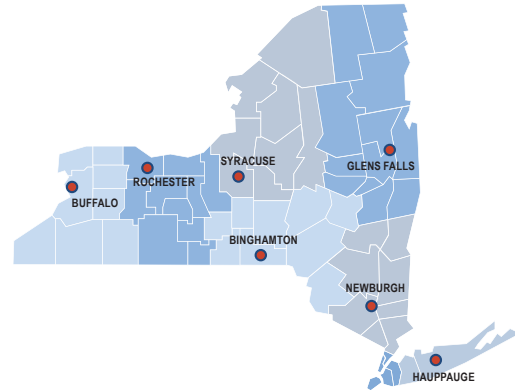


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