

**ACT FAST**  
Avoid Crisis Tomorrow with Fiscal Awareness Strategies for Today

## The Fiscal Stress Monitoring System

Comptroller DiNapoli's Fiscal Stress Initiative



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## Welcome



From State Comptroller  
Thomas P. DiNapoli

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## Presenter

**Janet Mayo**

Manager, Monitoring and Analysis Unit  
Division of Local Government & School Accountability

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## Agenda

- ▶ Why This? Why Now?
- ▶ Overview
  - Indicators
  - Scoring
- ▶ Process
- ▶ Summary Findings
- ▶ Management Tools & Resources
- ▶ Q & A

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## Why Focus on Fiscal Stress?

- ▶ Impact of the recession
  - Personal Income, Property Values
- ▶ Pace of economic recovery
- ▶ Heightened public awareness
- ▶ Story in the data
  - Revenues, Spending, Balance Sheets
- ▶ Tax cap reality

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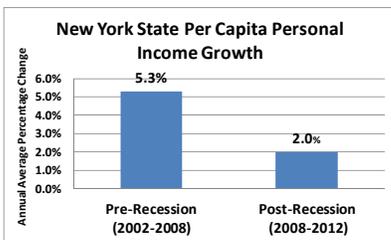
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## Why Focus on Fiscal Stress?

Impact of the Recession: New York State Per Capita Personal Income Growth



Source: Bureau of Economic Analysis

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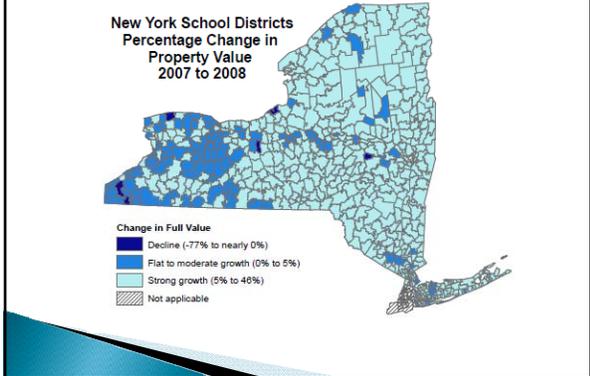
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### Housing Market - Impact on Property Values



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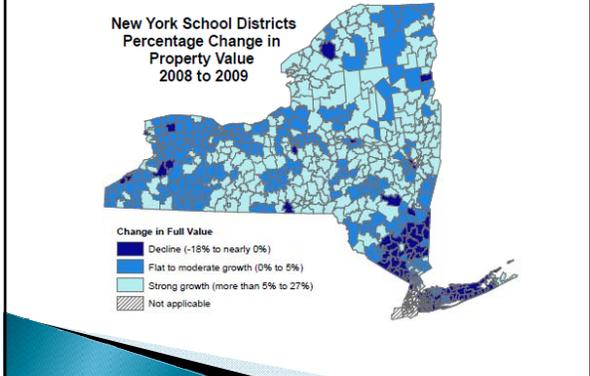
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### Housing Market - Impact on Property Values



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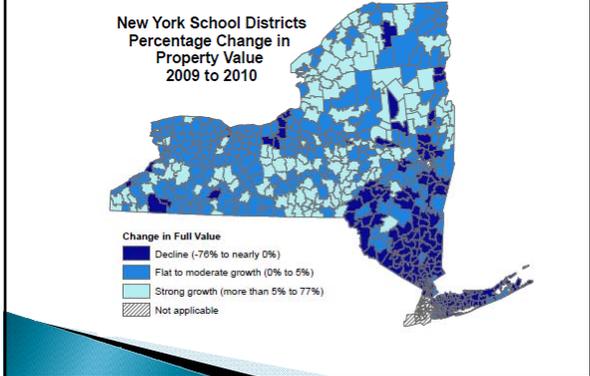
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### Housing Market - Impact on Property Values



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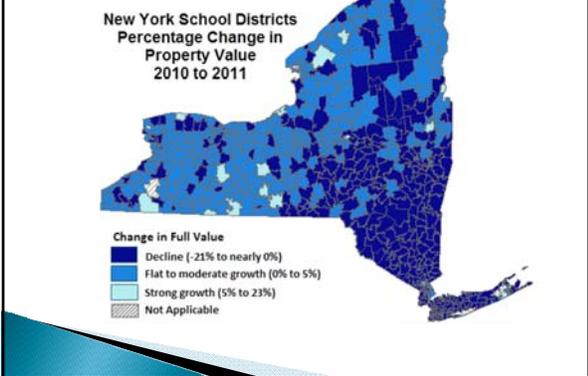
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### Housing Market - Impact on Property Values




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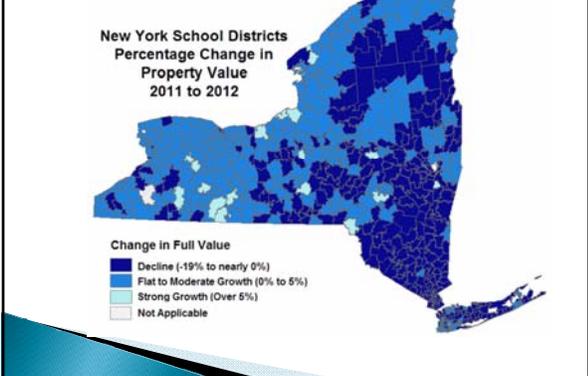
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### Housing Market - Impact on Property Values




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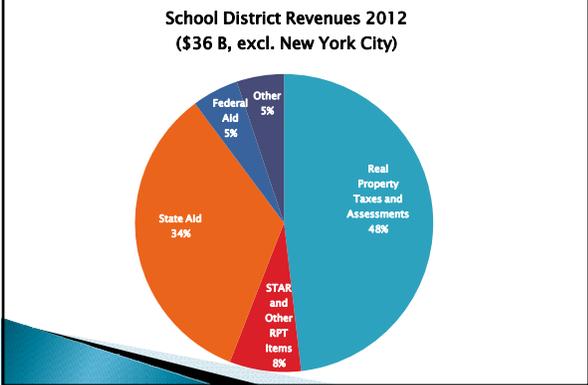
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### School District Revenue Mix




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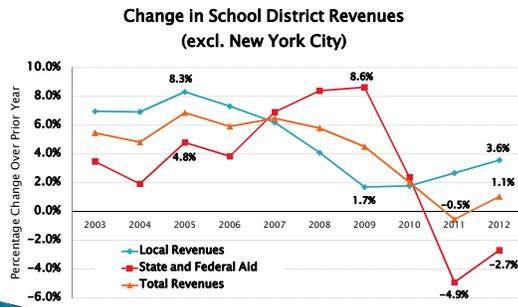
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## School District Revenues




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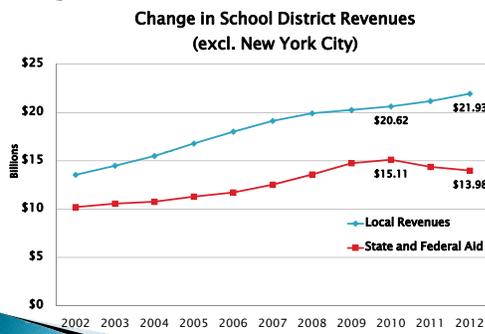
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## Change in School District Revenues




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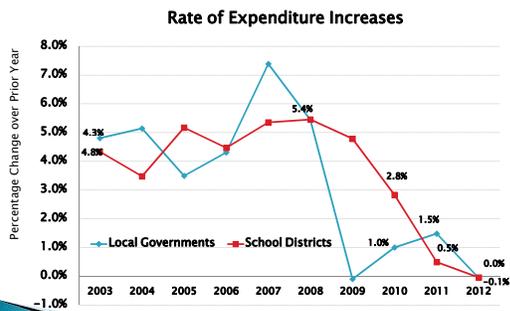
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## On the Spending Side...




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## Impact of a Lower Tax Cap

- ▶ 1.46 percent
- ▶ Projected loss of allowable levy limit – between \$104 and \$106 million for school districts

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## Development of the System

- ▶ OSC Resources
- ▶ Research Reports
- ▶ ICMA Guidance
- ▶ Systems Used In Other States
- ▶ Proposed System with Public Comment Period



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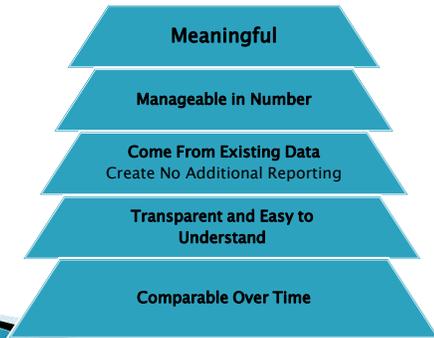
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## Fiscal Stress Monitoring System

Guiding Principles:



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## Fiscal Stress Is...

- ▶ The inability to generate enough revenues to meet expenditures. (Budgetary Solvency)
- ▶ Judgment about financial condition. One side of a continuum.




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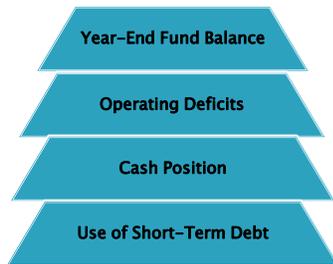
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## Fiscal Indicators

- ▶ School Districts
  - 7 Indicators
  - 4 Categories




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## Financial Indicators- School Districts

Category	Number	Financial Indicator
Year End Fund Balance	1	Unassigned Fund Balance
	2	Total Fund Balance
Operating Deficits	3	Operating Deficit
Cash Position	4	Cash Ratio
	5	Cash % of Monthly Expend
Use of Short-Term Debt	6	Short-Term Debt Issuance
	7	Short-Term Debt Issuance Trend

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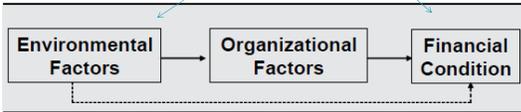
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## Financial Condition is...

An Outcome

Things we can measure



Financial condition is a function of BOTH environmental factors AND the local government's response to these factors.

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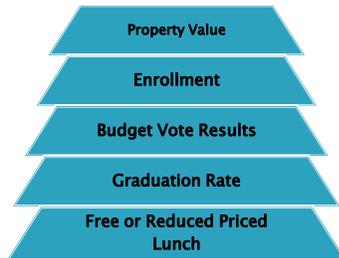
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## Environmental Indicators

- ▶ School Districts
  - 6 Indicators
  - 5 Categories




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## Environmental Indicators - School Districts

Category	Number	Indicator
Property Value	1	Change in Property Value
Enrollment	2	Change in Enrollment
Budget Votes	3	Budget Vote Defeats First Budget Vote Trend
	4	Change in Approval % First Budget Vote
Graduation Rate	5	Graduation Rate %
Free or Reduced Priced Lunch	6	Free or Reduced Priced Lunch %

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## Scoring Basics – Schools

- ▶ Fiscal Stress Categories:
  - Significant Fiscal Stress (>=65% of Points)
  - Moderate Fiscal Stress (>=45% of Points)
  - Susceptible to Fiscal Stress (>=25% of Points)
  - No Designation (<25% of Points)
- ▶ Other Categories
  - Data Inconclusive for FSMS
  - Have Not Filed
- ▶ Environmental Stress Categories:
  - ### (>=60% of Points)
  - ## (>=45% of Points)
  - # (>=30% of Points)
  - No Designation (<30% of Points)

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## FSMS Process

- ▶ Data is Self-Reported
- ▶ Objective Score Based Upon Certified ST-3
  - No new reporting
- ▶ Data Screened for Reliability and Fiscal Condition
- ▶ Examiner Review
  - False positives
  - False negatives

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## Communication Plan

- ▶ No surprises
- ▶ Letter process (email)
- ▶ **Letter #1**: Preliminary scores for districts projected to be in a stress category
- ▶ **Letter #2**: All districts notified of score just prior to release
  - Access to calculation details
  - District Superintendent notified – asked to share with Board President as well as CFO

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## FSMS: Releases to Date

- ▶ Initial Release for Local Governments with FYE 12/31
  - For their FYE 2012
  - 6/18/13
  - Update 09/25/13
    - 1,043 Counties, Cities, Towns and Villages
- ▶ All School Districts
  - For their FYE 2013
  - 1/16/2014 release

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## Findings: 87 School Districts in a Stress Category

### School Districts by Fiscal Stress Designation (2013)

	<u>Number</u>	<u>Percentage</u>
Significant Fiscal Stress	12	1.8%
Moderate Fiscal Stress	23	3.4%
Susceptible to Fiscal Stress	52	7.7%
No Designation	587	87.1%
<b>Total</b>	<b>674</b>	<b>100.0%</b>

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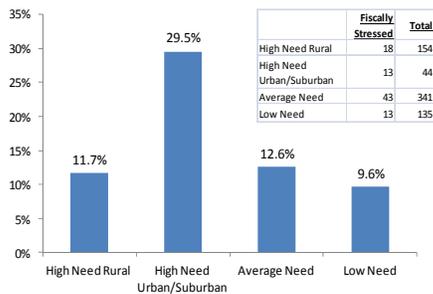
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## Stress Results by Need

Percent of School Districts in Fiscal Stress




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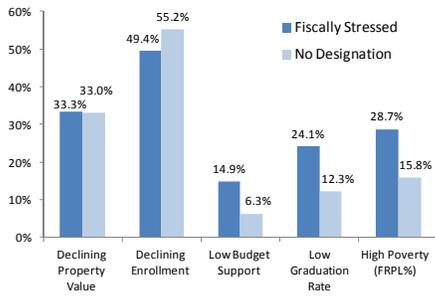
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## Common Themes: Environmental

Percentage of School Districts with...



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## Feedback

### Areas of concern

- ▶ Point of Contact (Superintendent)
- ▶ Scoring thresholds
- ▶ Fund Balance
  - Planned deficits
  - Transfers (e.g. from Capital Reserves)

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## System Modifications

- ▶ Guiding principles
  - No new reporting
  - Objective, uniform
  - Operationally manageable

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## Fiscal Stress Management Tools & Resources

### Website Enhancements

- Fiscal Stress Website
  - Data, Lists, Quick Reference Guide, FAQs etc.

### Interactive Self-Help Suite

- Self-Assessment Tool
- Capital Planning Template
- Multiyear Planning Template



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## Fiscal Stress Management Tools & Resources

### Policy Research

#### ▶ Snapshots

- Revenue Challenges

#### ▶ Summary Reports

- Common Themes

#### ▶ Fiscal profiles



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## Fiscal Stress Management Tools & Resources

### Training and Outreach

#### ▶ Local Government Leadership Institutes

#### ▶ Continuing Webinar series, 2014

#### ▶ Partnering opportunities

- BOCES, NYSASBO, NYSSBA, GFOA

#### ▶ Tailored workshops

- Self-assessment tool
- Capital planning template
- Multiyear planning template

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