

# New York State Office of the State Comptroller

Thomas P. DiNapoli • State Comptroller



## Fiscal Stress Monitoring System Update

September 2013

### Fiscal Stress Monitoring Summary Results:

### Common Themes for Local Governments with Fiscal Years Ending December 31, 2012

New York State's local governments are facing a difficult fiscal situation—one that demands continued excellence in delivering services, in the face of declining revenues and increasing costs. This can be a challenging equation for local officials. In recognition of this new fiscal reality, the Office of the State Comptroller developed a Fiscal Stress Monitoring System to provide independent, objectively measured and quantifiable information to local officials, citizens and policy makers regarding the level of fiscal stress under which the State's local governments are currently operating.

12/31 FY Local Governments		
	Number of Entities	Percentage
Significant Fiscal Stress	12	1.2%
Moderate Fiscal Stress	9	0.9%
Susceptible to Fiscal Stress	17	1.6%
No Designation	948	90.9%
Did Not File	54	5.2%
Under Review	3	0.3%
<b>Total</b>	<b>1043</b>	<b>100%</b>

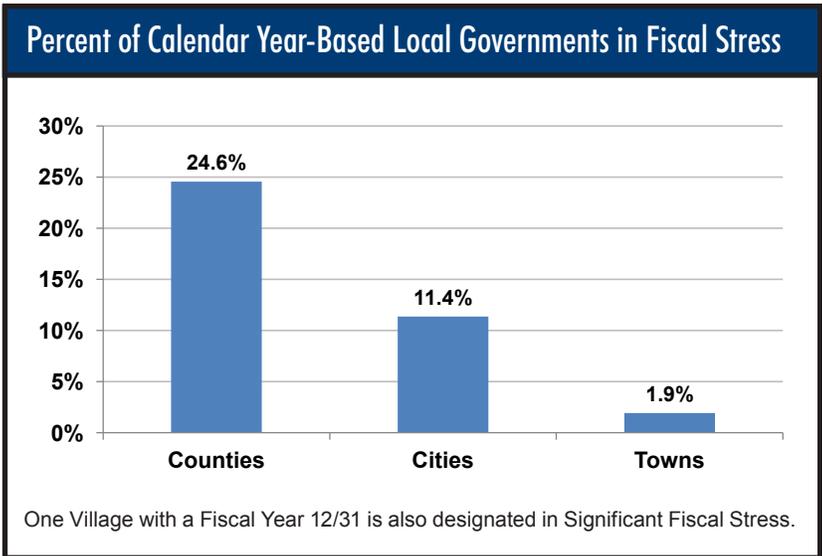
In June, OSC introduced the first set of fiscal stress results for the 1,043 local governments with a fiscal year ending on December 31. A September update of this information incorporates additional scores for units that filed late and for units that were still under review at the time of the initial rollout. With this update, 14 additional local governments have been identified as being susceptible to fiscal stress, in moderate stress or in significant stress, bringing the total of local governments in fiscal stress to 38. These results continue to draw attention to this very serious issue.

The Monitoring System evaluates local governments on 23 financial and environmental indicators and creates an overall fiscal stress score as well as an environmental stress score for each locality. This report summarizes the findings for all of the calendar year-based local governments which have been scored to date, focusing on common themes and statewide trends.<sup>1</sup>

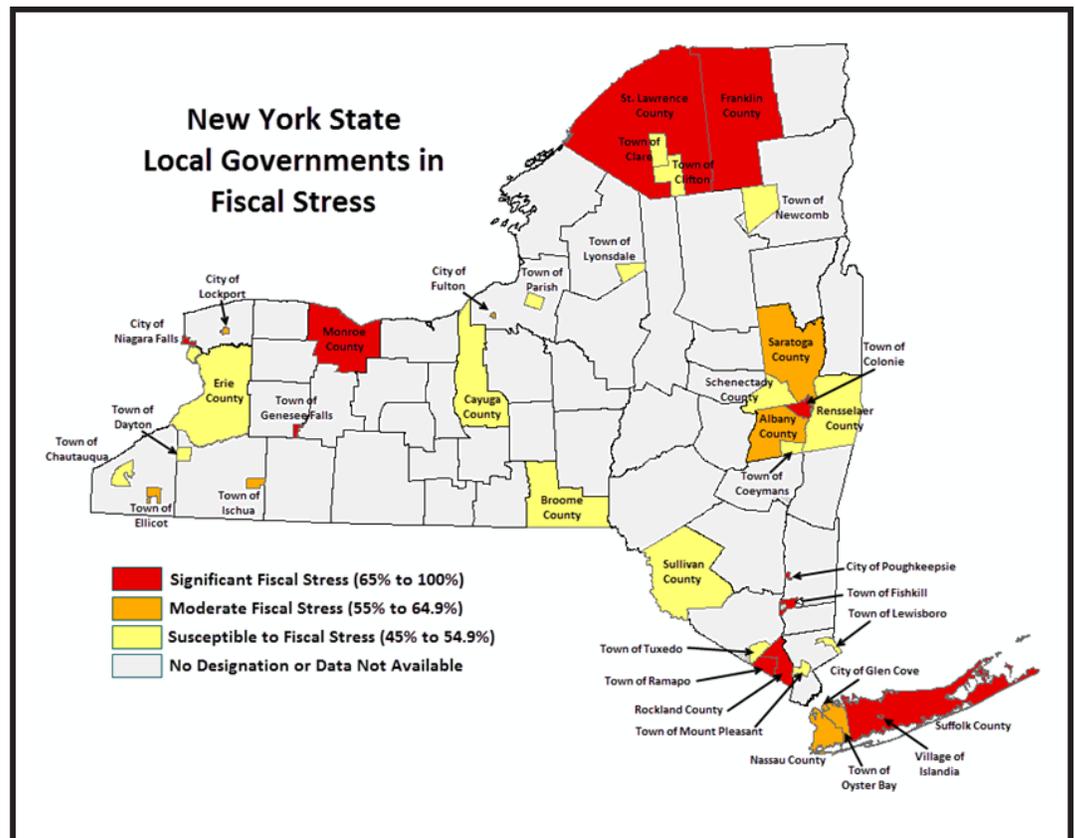
<sup>1</sup> The initial fiscal stress list was based on financial information provided to OSC by local communities as of May 31, 2013, was updated as of August 30, 2013, and included only municipalities with fiscal years ending on Dec. 31, 2012. In New York, all counties and towns, 44 cities and 10 villages have a Dec. 31 fiscal year end – a total of 1,043 communities. In addition to the 38 fiscally stressed municipalities, 3 communities remain “under review” and continue to have their information vetted. Another 54 local entities still have yet to submit necessary financial information to the Comptroller’s office and are designated as “have not filed.” The remaining 948 communities have been classified as “no designation.”

## Overall Findings

- As of August 30, 2013, nearly 95 percent of the 1,043 local governments that operate on a calendar fiscal year have filed the required annual financial data with OSC and have been scored via the Fiscal Stress Monitoring System.
- Over 90 percent of local governments received scores that did not rise to a level that would place them in one of the stress categories. These municipalities were classified as “no designation.”
- 38 local governments, including 5 cities, 14 counties, 18 towns and 1 village, have been found to be in some level of fiscal stress.
- While 3.6 percent of local governments were identified as fiscally stressed, this rate varies significantly by type of government. Nearly a quarter of all counties (24.6 percent) and 11.4 percent of cities were fiscally stressed, compared to only 1.9 percent of towns.

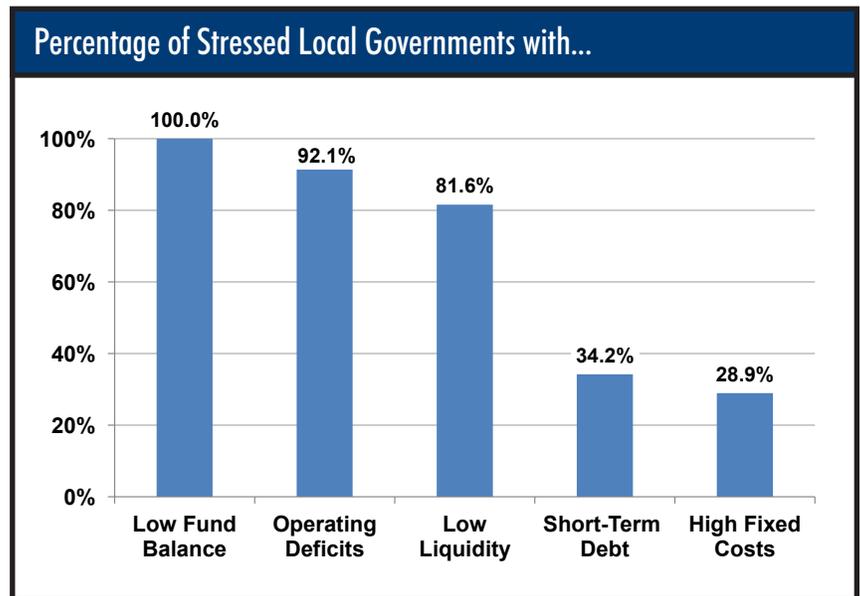


- Fiscally stressed local governments exist in all regions of the State. However, downstate communities (8.9 percent) are nearly three times as likely to be in some level of fiscal stress as upstate localities (2.9 percent).



## Fiscal Indicators

- As expected, all local governments experiencing fiscal stress had low fund balances, and most had chronic operating deficits or low liquidity. Over a third have issued short-term debt to fund operations on a regular basis.
- These patterns persist within each class of local government. However, low fund balance is more prevalent in cities—with the median unassigned fund balance amounting to only 7.9 percent of general fund expenditures. In the five fiscally stressed cities, the median unassigned fund balance was negative and total fund balance amounted to less than 3 percent of general fund expenditures.
- Cash balances were lowest among counties overall, with the median county having enough cash to cover only 1.5 months worth of expenses (153.9 percent). Fiscally stressed counties did not have enough cash to cover even one month’s worth of expenses. Towns were found to have a more favorable cash position compared to cities and counties.



## Selected Fiscal Indicators by Local Government Type and Fiscal Stress Category

(Medians based on unscored indicator values)

	Counties			Cities			Towns		
	Median, Fiscally Stressed	Median, No Designation	Median, All Counties	Median, Fiscally Stressed	Median, No Designation	Median, All Cities	Median, Fiscally Stressed	Median, No Designation	Median, All Towns
General Fund Assigned and Unassigned Fund Balance as a Percentage of Gen Fund Expenditures	4.7%	14.5%	11.5%	-0.3%	8.3%	7.9%	-0.7%	32.7%	31.7%
Total General Fund Balance as Percentage of Expenditures	6.3%	22.3%	18.9%	2.8%	21.0%	19.4%	4.8%	52.9%	52.3%
Cash as a Percentage of Monthly Expenditures	87.3%	182.8%	153.9%	51.6%	194.4%	180.6%	116.9%	545.7%	535.1%
Personal Services as a Percentage of Revenues	41.5%	40.0%	40.1%	67.2%	61.5%	62.2%	50.8%	41.9%	42.0%
Debt Service as a Percentage of Revenues	4.2%	1.8%	2.6%	7.2%	8.6%	8.5%	5.1%	4.2%	4.2%

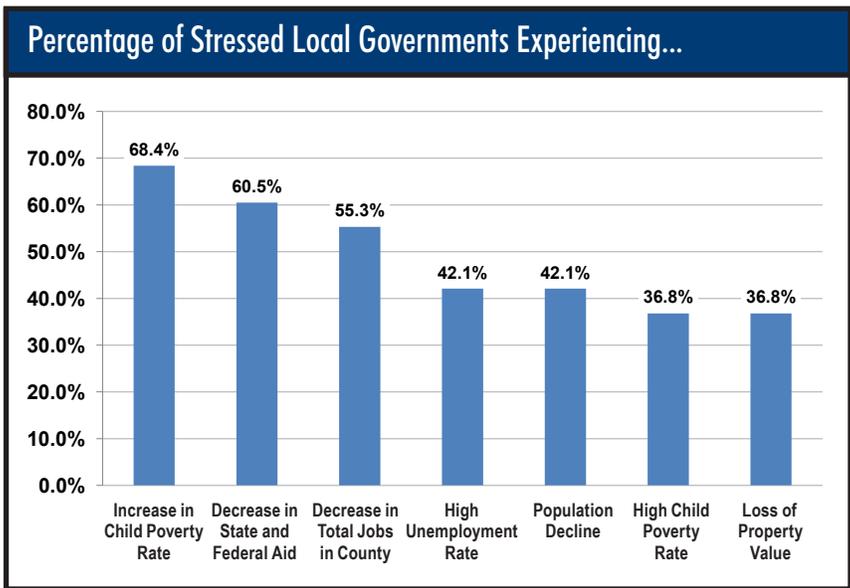
Note: To view the complete list of fiscal and environmental indicators including indicator definitions and scoring procedures, please visit our website at: <http://www.osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring2013.pdf>

## Environmental Indicators

- Many of the fiscally stressed local governments face significant environmental challenges including increasing poverty, decreased State and federal funding, loss of jobs, declining property values and population loss.

- Perhaps the most striking differences in environmental stress indicators emerge when comparing cities in fiscal stress to those that are not designated in fiscal stress.

- Fiscally stressed cities experienced a much steeper decline in population from 1990 to 2000, and a more modest population increase from 2000 to 2010 when compared to all cities in the State. Interestingly, fiscally stressed towns are the only group of fiscally stressed localities, to have experienced a population decline from 2000 to 2010.



- Fiscally stressed cities rely more on State and federal aid than all other cities. This reliance on aid can be a cause of fiscal stress, as aid programs can be volatile. Cities in New York State have experienced a reduction in aid of 4.3 percent from 2011 to 2012, but these reductions have been more pronounced for fiscally stressed cities, which experienced reductions to aid of 10.4 percent over the same period.

- Property values lagged more significantly in fiscally stressed local governments of all types when compared to those in the no designation category. The difference was most pronounced in towns.

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Population Change 1990 to 2000	1.8%	0.6%	0.7%	-8.3%	-4.7%	-4.8%	3.0%	4.3%	4.2%
Population Change 2000 to 2010	2.2%	1.0%	1.1%	0.3%	1.5%	1.2%	-3.8%	1.0%	0.9%
Median Age of Population	39.8	40.9	40.9	38.1	37.6	37.8	42.8	42.7	42.7
Child Poverty Rate	17.2%	17.6%	17.3%	29.9%	24.1%	24.3%	10.1%	12.3%	12.3%
Percentage Change in Property Value (4-yr avg)	1.3%	2.5%	2.4%	0.2%	0.5%	0.5%	0.7%	2.5%	2.5%
Unemployment Rate	7.6%	8.2%	8.1%	8.8%	8.2%	8.2%	7.9%	8.1%	8.1%
Reliance on State and Federal Aid	24.8%	24.0%	24.0%	23.0%	15.0%	15.9%	8.9%	10.4%	10.4%
Percentage Change in State and Federal Aid	-1.9%	-1.9%	-1.9%	-10.4%	-3.9%	-4.3%	-1.4%	0.2%	0.1%

**Conclusion**

Of the 1,043 local governments assessed in the first round of fiscal stress scoring, relatively few were found to be experiencing the magnitude of stress that would have resulted in being classified into one of the three fiscal stress categories. However, those units that were classified in a stress category include some of the largest localities in the State. The 38 fiscally stressed local governments had general fund expenditures that amounted to over \$10 billion in 2012. Additionally, over 6 million residents live in one of the 14 fiscally stressed counties, over 600,000 people reside in one of the State’s 18 fiscally stressed towns, and over 500,000 New Yorkers are residents of more than one fiscally stressed entity (e.g., they reside in a stressed county and a stressed town).

As expected, these local governments share many fiscal-related commonalities, including low fund balances and poor cash position, chronic deficits and use of short-term debt to bridge cash flow gaps.

Environmental indicators help explain these difficulties. Many fiscally stressed local governments have experienced increased poverty, population losses, declining funding, labor market decline and reductions in property values. The fact that fiscally stressed entities score differently on these indicators from those identified as “no designation” further validates the use of environmental data as leading indicators in explaining and/or predicting the fiscal situation for many of the State’s communities.



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