New York State
Fiscal Stress Monitoring System
Overview for the Government Financial Sustainability Workgroup
September 28, 2017
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Division of Local Government and School Accountability

Fiscal Stress Monitoring System

Agenda

• Fiscal Stress System Basics

• Latest Results
  — Cities, Counties, Towns and Villages, and School Districts

• What the data is saying – common themes

• Next Steps, Resources and Q & A

New York State
Local Governments and School Districts

Counties:  57
Cities:  62
Towns:  932
Villages:  548
Schools:  674
Fiscal Stress Monitoring System

Purpose

– To identify local governments and school districts in fiscal stress or susceptible to fiscal stress.

– To identify for local officials the need to take action in a timely manner to improve financial trends.

System Components

– Utilizes existing data
– Objective
– Transparent
– Early warning
– Real value over time

System Design

• Financial Indicators
  – Evaluate budgetary solvency—the ability to generate enough revenue to meet expenses

• Environmental Indicators
  – Capture trends that influence revenue-raising capability and demands for service while also providing context.
Financial Indicators

Local Governments
- Year-end Fund Balance (50%)
- Operating Deficits (10%)
- Cash position (20%)
- Short-term debt (10%)
- Fixed costs (10%)

School Districts
- Year-end Fund Balance (50%)
- Operating Deficits (20%)
- Cash position (20%)
- Short-term debt for cash flow (10%)

Environmental Indicators

Local Governments
- Population change
- Median age
- Child poverty rate
- Property value
- Unemployment rate
- Reliance on state/federal aid
- Constitutional tax limit exhausted

School Districts
- Change in property value
- Change in enrollment
- Budget vote defeats
- Graduation rates
- Free/reduced price lunch

System Scoring

Financial indicator score drives classification:

Local Governments
- 65% – 100% = Significant
- 55% – 64.9% = Moderate
- 45% – 54.9% = Susceptible
- 0% - 44.9% = No Designation

School Districts
- 65% – 100% = Significant
- 45% – 64.9% = Moderate
- 25% – 44.9% = Susceptible
- 0% - 24.9% = No Designation

• Environmental indicator score (separate)
Score Release

- September 27, 2017 release for calendar year filers
  - Based on Required Financial Reports (12/31/2016 FYE)

- No surprises approach – communication is key
  - Local Governments in stress – emails to CEO and CFO
    - Six weeks before release
  - All Local Governments – emails to CEO and CFO
    - A few days before public release

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2016 Summary Results

- A small number of local governments were in a fiscal stress designation for FYE 2016.

Source: OSC, using FYE 2016 scores.

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Low and Declining Percentage of Local Governments in Fiscal Stress

<table>
<thead>
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<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td>Significant Fiscal Stress</td>
<td>0.9%</td>
<td>1.1%</td>
<td>0.7%</td>
<td>0.3%</td>
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<tr>
<td>Moderate Fiscal Stress</td>
<td>0.8%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
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<tr>
<td>Susceptible to Fiscal Stress</td>
<td>1.5%</td>
<td>2.1%</td>
<td>1.9%</td>
<td>1.0%</td>
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<tr>
<td><strong>Total with Stress Designation</strong></td>
<td><strong>3.1%</strong></td>
<td><strong>4.3%</strong></td>
<td><strong>3.7%</strong></td>
<td><strong>2.4%</strong></td>
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<tr>
<td>No Designation</td>
<td>89%</td>
<td>88%</td>
<td>88%</td>
<td>89%</td>
</tr>
<tr>
<td>Not Filed or Inconclusive</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>9%</td>
</tr>
</tbody>
</table>
**Scores by Region**

- Municipalities in the downstate regions are more likely to be in fiscal stress.

![Percentage of Local Governments in Fiscal Stress, 2016](chart)

**Most Local Governments have never been in Fiscal Stress**

- About 93% of local governments have never been designated as in fiscal stress.
- Less than 1 percent have been in a fiscal stress category for all four years.

*Numbers do not add to 100% due to rounding.*

**Stress Designation by Class**

- Counties and cities are more likely to be in stress.

![Municipalities in a Fiscal Stress Designation in 2016](chart)
The number of local governments in fiscal stress has decreased since 2014.

Persistence of Stress

- A small number of municipalities were in chronic fiscal stress for all four years.
- However, many more local governments moved out of fiscal stress than into it, a reversal from two years ago.
  - Between 2013 and 2014, nearly twice as many local governments moved into a stress category as moved out of one.
  - Between 2014 and 2015, the number moving out of stress was slightly higher than that moving into stress.

Non-Filers

- Municipalities are legally required to report financial data within 120 days of fiscal year end.
- Late filers have up to 8 months after fiscal year end to be scored in the System.
- Approximately 120 municipalities did not file in time to receive a score in any given year.
- Several local governments have not filed in time all four years in a row.
Schools Results

• 91% are scored at No designation

• About three quarters of districts have never been designated as in fiscal stress

• 2 percent have been in a fiscal stress category for all four years

• City school districts are more likely to be in a fiscal stress designation than other districts

System Review and Modifications

Four Years of System Operation and Study

• Widespread use and acceptance

• Comparability

• 75-day public comment period and ongoing feedback

Potential Changes

Financial Indicators
For Local Governments
- Masking relating to combined funds

For School Districts
- Use of debt and capital projects funds

Environmental Indicators
- Streamlining Scoring
- More complete and readily available data sources

Financial Reporting Systems
Resources

http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm
http://www.osc.state.ny.us/localgov/academy/index.htm

Follow Up

http://osc.state.ny.us/localgov/fiscalmonitoring/index.htm
Email: localgov@osc.state.ny.us

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For access to state and local government spending, public authority financial data and information on over 130,000 state contracts, visit www.openbooknewyork.com. The easy-to-use website was created to promote transparency in government and provide taxpayers with better access to financial data.