The Fiscal Stress Monitoring System

Comptroller DiNapoli’s Fiscal Stress Initiative

Office of the State Comptroller
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Fiscal Stress Monitoring Basics

Demonstration of Website

Overview of Datasets and Tools
Fiscal Stress – Research Potential

- A Comprehensive Dataset for Researchers
  - Time Series Analysis?
  - Causal Modeling?
  - Interaction Effects?
  - What would be helpful?
  - Suggestions? Ideas?

- Partnering Opportunities?
Why Focus on Fiscal Stress?

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

<table>
<thead>
<tr>
<th></th>
<th>Annual Average % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Recession</td>
<td>5.7%</td>
</tr>
<tr>
<td>Post-Recession</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis
Housing Market – Impact on Property Values

New York School Districts
Percentage Change in Property Value
2007 to 2008

Change in Full Value
- Dark blue: Decline (-77% to nearly 0%)
- Blue: Flat to moderate growth (0% to 5%)
- Light blue: Strong growth (5% to 46%)
- Gray: Not applicable
Housing Market – Impact on Property Values

New York School Districts
Percentage Change in Property Value
2008 to 2009

Change in Full Value
- Decline (-18% to nearly 0%)
- Flat to moderate growth (0% to 5%)
- Strong growth (more than 5% to 27%)
- Not applicable
Housing Market – Impact on Property Values

New York School Districts
Percentage Change in Property Value
2009 to 2010

Change in Full Value
- Dark blue: Decline (-76% to nearly 0%)
- Medium blue: Flat to moderate growth (0% to 5%)
- Light blue: Strong growth (more than 5% to 77%)
- Gray: Not applicable
New York School Districts
Percentage Change in Property Value
2010 to 2011

Change in Full Value
- Decline (-21% to nearly 0%)
- Flat to moderate growth (0% to 5%)
- Strong growth (5% to 23%)
- Not Applicable
Development of the System

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

Guiding Principles:

- Meaningful
- Manageable in Number
- Come From Existing Data
  Create No Additional Reporting
- Transparent and Easy to Understand
- Comparable Over Time
Fiscal Stress Is...

- The inability to generate enough revenues to meet expenditures. (Budgetary Solvency)

- Judgment about financial condition. One side of a continuum.
Financial condition is a function of BOTH environmental factors AND the local government’s response to these factors.
Fiscal Stress Monitoring System

- 9 Fiscal Indicators
- 5 Categories

1. Year-End Fund Balance
2. Operating Deficits
3. Cash Position
4. Use of Short-Term Debt
5. Fixed Costs
14 Environmental Indicators

8 Categories

- Population
- Aging Population
- Poverty
- Property Value
- Employment Base
- Intergovernmental Revenues
- Constitutional Tax Limit
- Sales Tax Revenues
Scoring Basics

Fiscal Stress Categories:
- Significant Fiscal Stress (>=65% of Points)
- Moderate Fiscal Stress (>=55% of Points)
- Susceptible to Fiscal Stress (>=45% of Points)
- No Designation (<45% of Points)
- Under Review
- Have Not Filed

Environmental Stress Categories:
- ### (>=50% of Points)
- ## (>=40% of Points)
- # (>=30% of Points)
- No Designation (<30% of Points)
Causal Model

Population
Aging Population
Poverty
Property Value
Employment Base
Intergovernmental Revenues
Constitutional Tax Limit
Sales Tax Revenues

Fiscal Stress
FSMS Process

- Data is Self Reported
- Objective Score Based Upon Certified AUD/ST–3
- Data Screened for Reliability and Fiscal Condition
- Examiner Review
  - False Positives
  - False Negatives
Communication Plan

- Concerns with the previous communication plan
- Addressed concerns:
  - Advanced phone calls
  - Letters with calculation details
  - Everyone will be notified
- Updated list TBA
First Scores – Released June 18, 2013

- Local Governments with FYE Dec 31, 2012
  - Counties – 57
  - Cities – 44
  - Towns – 932
  - Villages – 10
  - Total: 1,043

- Data as of May 31, 2013

Update Released September 25, 2013

- Data as of August 31, 2013
# FSMS Scores (as of 8/31/13)

<table>
<thead>
<tr>
<th>Status</th>
<th>Number of Entities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant Fiscal Stress</td>
<td>12</td>
<td>1.2%</td>
</tr>
<tr>
<td>Moderate Fiscal Stress</td>
<td>9</td>
<td>0.9%</td>
</tr>
<tr>
<td>Susceptible to Fiscal Stress</td>
<td>17</td>
<td>1.6%</td>
</tr>
<tr>
<td>No Designation</td>
<td>948</td>
<td>90.9%</td>
</tr>
<tr>
<td>Did Not File</td>
<td>54</td>
<td>5.2%</td>
</tr>
<tr>
<td>Under Review</td>
<td>3</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1043</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Fiscal Stress by Class

Percent of Calendar Year-Based Local Governments in Fiscal Stress

- Counties: 24.6%
- Cities: 11.4%
- Towns: 1.9%

One Village with a Fiscal Year 12/31 is also designated in Significant Fiscal Stress.
Downstate Localities are More Likely to be Fiscally Stressed

Percentage of 12/31 FYE Local Governments in Fiscal Stress

- Upstate: 2.8%
- Downstate: 8.9%
Common Stress Indicators

- Municipalities in some Level of Fiscal Stress: 38
Common Environmental Themes

- Municipalities in some Level of Fiscal Stress: 38
FSMS Tentative Schedule

- **Publication of Lists**
  - Once all information is vetted
  - Tentatively 6 months after the close of the fiscal year
    - FYE 12/31/2012 – Counties/Towns/Cities/Villages
    - FYE 5/31/2013 – Villages
    - FYE 6/30/2013 – School Districts
    - Non-Calendar Cities

- **List Updates**
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
Website Demo
Fiscal Stress Self-Assessment Tool Demonstration

Town of ABC
123456789000

% Score
2010 62.5%
2011 50.8%
2012 37.9%
2013 25.8% based on 3 year trend

Fiscal Stress Summary

<table>
<thead>
<tr>
<th>Fiscal Indicators</th>
<th>Value</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Assigned/Unassigned FB (General Fund)</td>
<td>1.6%</td>
<td>3 2</td>
</tr>
<tr>
<td>2 Assigned/Unassigned FB (Combined Fund)</td>
<td>3.5%</td>
<td>3 3</td>
</tr>
<tr>
<td>3 Total FB (General Fund)</td>
<td>4.7%</td>
<td>3 3</td>
</tr>
<tr>
<td>4 Total FB (Combined Fund)</td>
<td>6.0%</td>
<td>3 3</td>
</tr>
<tr>
<td>5 # of Operating Deficits in Three Years or last year's deficit &lt;= -10%</td>
<td>2</td>
<td>1 2 1</td>
</tr>
<tr>
<td>6 Cash Ratio (Cash/Current Liability)</td>
<td>77.6%</td>
<td>1 0</td>
</tr>
<tr>
<td>7 Cash % of Monthly Exp</td>
<td>165.3%</td>
<td>0 0</td>
</tr>
<tr>
<td>8 Short-Term Debt Issuance (Debt/Revenues)</td>
<td>0.0%</td>
<td>0 0</td>
</tr>
<tr>
<td>9 Short-Term Debt Trend (consecutive debt or BN in last year)</td>
<td>0</td>
<td>0 0 0</td>
</tr>
</tbody>
</table>

Indicator Scoring Summary

<table>
<thead>
<tr>
<th>Environmental Indicators</th>
<th>Value</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Change in Population</td>
<td>11.8%</td>
<td>0</td>
</tr>
<tr>
<td>2 Change in Median Age</td>
<td>5.1%</td>
<td>0</td>
</tr>
<tr>
<td>3 Median Age of Population</td>
<td>43.4</td>
<td>0</td>
</tr>
<tr>
<td>4 Child Poverty Rate</td>
<td>4.5%</td>
<td>0</td>
</tr>
<tr>
<td>5 Change in Child Poverty Rate</td>
<td>-0.7%</td>
<td>0</td>
</tr>
<tr>
<td>6 Change in Property Value (4-year avg)</td>
<td>1.1%</td>
<td>0</td>
</tr>
<tr>
<td>7 Property Value Per Capita</td>
<td>$77,719</td>
<td>0</td>
</tr>
<tr>
<td>8 Change in Unemployment Rate</td>
<td>-0.3</td>
<td>0</td>
</tr>
<tr>
<td>9 Unemployment Rate</td>
<td>7.5%</td>
<td>0</td>
</tr>
<tr>
<td>10 Change in Total Jobs in County</td>
<td>-2.3%</td>
<td>1</td>
</tr>
<tr>
<td>11 Reliance on State and Federal Aid</td>
<td>6.9%</td>
<td>0</td>
</tr>
<tr>
<td>12 Change in State and Federal Aid</td>
<td>15.5%</td>
<td>0</td>
</tr>
<tr>
<td>13 Constitutional Tax Limit</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>14 Change in Sales Tax Receipts</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Financial information provided on this page is pulled from reports submitted by the municipality. OSC performs a formal review of the information on an annual basis. However, OSC is unable to verify the accuracy of all the data elements upon which an entity’s prior year fiscal stress score is based.

** The summary graph projects a fiscal stress score based on a three-year trend analysis. This score is not based on data submitted by the locality. The predicted score is most reliable for municipalities which have followed a level trend but is less reliable for municipalities with scores that do not follow a steady trend.

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Discussion

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