

New York State Comptroller's Fiscal Stress Monitoring System

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Local officials must be responsive to taxpayer needs for vital services, while operating within a complex set of fiscal constraints. So that taxpayers receive relevant information that can help them work with local leaders to develop a viable plan for the future – in 2013, the New York State Office of the Comptroller (OSC) developed a Fiscal Stress Monitoring System. To date, this System has identified a total of 142 municipalities in some level of fiscal stress, including 5 cities (though, a small number of cities remain to be scored), 16 counties, 18 towns, 16 villages and 87 school districts. All related lists of counties, towns, etc. are updated annually. OSC's Fiscal Stress Monitoring System (FSMS) represents a systematic and objective methodology for identifying the presence of stress conditions in a local government or a school district. It employs two types of indicators:

1. **Financial** indicators, which evaluate budgetary solvency (the ability of a local government or school district to generate enough revenues to meet expenditures) and
2. **Environmental** indicators, which capture those circumstances and trends that are largely outside the entity's control but which have a bearing on its revenue raising capabilities as well as its demand for and/or mix of services.

Only the scores that result from calculation of the financial indicators will determine whether or not the entity is placed in one of the stress categories.

The data upon which the System relies is based on Annual Financial Reports. Individual units already submit these reports to OSC; therefore there are no new reporting requirements.

This System measures the level of fiscal stress an entity is facing. It does not attempt to ascertain fiscal health. An entity's absence from one of the three stress categories should not be viewed as substantiating sound financial condition by OSC.

The System's financial indicators are based on a total of nine different calculations in the following five categories: (1) Year End Fund Balance, (2) Operating Deficits, (3) Cash Position, (4) Use of Short-term Debt and (5) Fixed Costs. The calculation for school districts does not include fixed costs as there is little variation in these costs among districts.

Each calculation is linked to a point-based, scoring system and drives an overall financial indicator score. The score is then assigned a level of fiscal stress. The System also provides a separate score for environmental indicators that reflect challenges facing municipalities



and school districts. The System’s environmental indicators are based on 14 different calculations for municipalities and 6 calculations for school districts. The municipal categories include:

- Population,
- Age,
- Poverty,
- Property Values,
- Employment Base,
- Intergovernmental Revenues,
- Constitutional Tax Limit, and
- Sales Tax Revenue.

The school districts’ categories are:

- Property Value,
- Enrollment,
- Budget Vote Results,
- Graduation Rate, and
- Free or Reduced Priced Lunch.

Each environmental calculation is linked to a point-based, scoring system and drives an overall environmental indicator score. To mitigate confusion, the environmental indicators are scored using between one and three # signs to indicate category of stress.

Other Classifications

Entities that did not score sufficient points to be placed in one of the three stress categories for either the fiscal or environmental indicators received a classification of “No Designation.” This classification should not be interpreted to mean that the entity is completely free of stress conditions. One should consider the proximity of the score to the established fiscal stress thresholds.

An entity that has filed its annual financial data and is currently under review by OSC because of unresolved issues relative to their filing is designated as “Data Inconclusive for FSMS.”

Entities that have failed to file their annual report with OSC for the year are designated as “Have Not Filed.”

Point assignments and categorizations are summarized in the table below:

Fiscal Stress Categories	Percentage of Total Points (Local Governments)	Percentage of Total Points (School Districts)
Significant Stress	≥ 65%	≥ 65%
Moderate Stress	≥ 55%	≥ 45%
Susceptible to Stress	≥ 45%	≥ 25%
No Designation	0– 44.9%	0-24.9%
Environmental Stress Categories		
###	≥ 50%	≥ 60%
##	≥ 40%	≥ 45%
#	≥ 30%	≥ 30%
No Designation	0-29.9%	0-29.9%
Other Categories		
Data Inconclusive for FSMS	N/A	N/A
Did Not File	N/A	N/A

The Data

OSC is providing full access to all of the data upon which the System and the classifications are based. That data as well as other information about the System is available on the [OSC fiscal stress website](#).

Reporting on fiscal stress will be a wake-up call for local officials and for taxpayers. Knowledge is power, and by sharing this information in such a public and transparent way, we can prompt a more thoughtful discussion at the local level as to how communities can manage in these challenging budgetary and economic times and avoid a full financial crisis.

OSC is committed to continuing its work to help local governments become more efficient, more creative, more forward-thinking, and more

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effective as they navigate this difficult fiscal environment.

Although the truth can be difficult to face, taxpayers will find that they are better informed about what's happening in their communities and, as a result, be in a much better position to work with their elected leaders in making tough but necessary choices.

Author's Bio

Thomas P. DiNapoli is the 54th Comptroller of the State of New York who's known for his integrity, independence and steadfast leadership.

Since taking office in 2007, Tom DiNapoli has aggressively fought misuse of public resources, strengthened one of the nation's top public pension funds, and consistently spoken out against imprudent fiscal actions and government inefficiency.

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