Fiscal Stress Monitoring System

Division of Local Government and School Accountability

Joe Testa, Auditor 1, Data Management Unit

Robert Caracciolo, Program Research Specialist 2, Research Unit

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1

Fiscal Stress Monitoring System

Agenda

- Fiscal Stress Monitoring System 101

- Upcoming Score Release

- Key Takeaways

- 2022 Preliminary Results

- Resources – How We Can Help

- Q & A

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2

Fiscal Stress Monitoring System 101

Purpose

- To identify local governments and school districts that are in fiscal stress or susceptible to fiscal stress

- To identify for local officials the need to act in a timely manner to improve financial trends

- [System Basics](#)

Fiscal Stress Monitoring System 101

Timing of Release

- 3 Releases per year
  - In the Winter (January), Spring (March), and Fall (September)

- FSMS Scores are calculated using data from the Local Government's Annual Financial Report.

Release Type	Fiscal Year(s) Ending	Timing of Release
Schools	June 30	1st Quarter
Non-Calendar Year Local Governments: Some cities (including Big 4) and most villages	February 28 March 31 May 31 June 30 July 31	2nd Quarter
Calendar Year Local Governments: All counties and towns, most cities and a few villages	December 31	3rd Quarter

Fiscal Stress Monitoring System 101

- Fiscal Stress Score

- Environmental Stress Score

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Fiscal Stress Score

Financial Indicators	Fiscal Stress Financial Indicators	Maximum Points
1	Assigned and Unassigned Fund Balance as a Percentage (%) of Gross Expenditures	25
2	Total Fund Balance as a Percentage (%) of Gross Expenditures	25
3	Operating Deficits	10
4	Cash Ratio - Cash and Investments as a Percentage (%) of Current Liabilities	10
5	Cash as a Percentage (%) of Monthly Gross Expenditures	10
6	Short-Term Cash-Flow Debt Issuance as a Percentage (%) of Total Revenues	5
7	Short-Term Cash-Flow Debt Issuance Trend	5
8	Personal Service and Employee Benefits as a Percentage (%) of Total Revenues (3 year avg)	5
9	Debt Service as a Percentage (%) of Total Revenues (3 year avg)	5
		100

Fiscal Stress Classification	Point Range (Out of 100 total pts)
Significant	65 - 100
Moderate	55 - 64.9
Susceptible	45 - 54.9
No Designation	0 - 44.9

Local Govt. Type	General Fund	Combined Funds
Cities	A	A, FX, G, ES, EW
Counties	A	A, D, DM, FX, G, All Enterprise Funds
Towns	A, DA	A, B, DA, DB, FX, G, SS, SW, ES, EW
Villages	A	A, FX, G, ES, EW

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Environmental Stress Score

Environmental Indicators	Fiscal Stress Environmental Indicators	Maximum Points
1	Change in Population	10
2	Percentage of Households with Public Assistance	20
3	Percentage of Population Under 18 & Over 65	10
4	Percentage Change in Home Value	20
5	Median Household Income	10
6	Unemployment Rate	10
7	Reliance on State and Federal Aid	20
		100

Environmental Stress Classification	Point Range (Out of 100 total pts)
Significant	50 - 100
Moderate	40 - 49.9
Susceptible	30 - 39.9
No Designation	0 - 29.9

Unlike the financial indicators, environmental indicators are generally outside the direct control of local officials.

Fiscal Stress Monitoring System

Upcoming Release for Calendar Year Filers

Communication Emails

- Local Governments in Fiscal Stress – already sent
- All Local Governments – just prior to release

Key Takeaways

- Be Prepared

- Environmental Stress Score Reminder

- OSC's Website Resources

Fiscal Year End 2022 Update
(Preliminary)

Calendar and Non-Calendar Year Municipalities
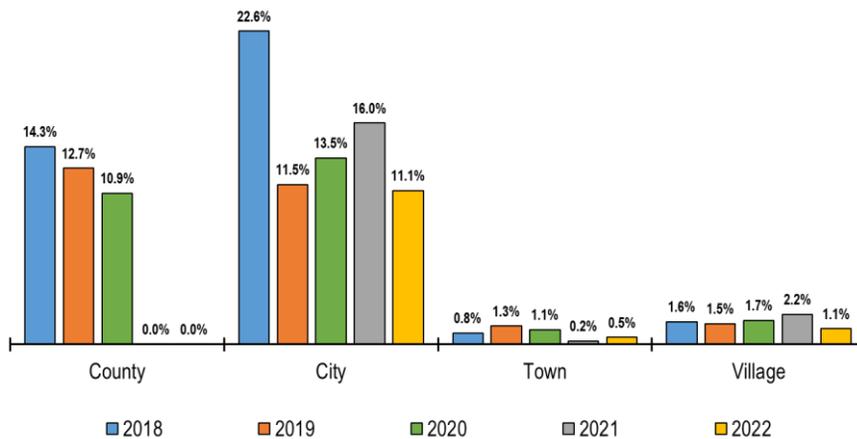(e.g., counties, cities, towns and villages)

Preliminary Results for FYE 2022

- A total of 1% of all municipalities scored were designated in some level of stress.
- By class, cities were the most prone to stress with 11.1% designated in stress, followed by villages (1.1%) and towns (0.5%).
- No counties were designated in stress for the second consecutive year.
- Funding from the American Rescue Plan Act (ARPA), as well as robust sales tax revenue, largely contributed to fewer entities in stress.

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11

Fiscal Stress by Class

Bar chart comparing fiscal stress by class (County, City, Town, Village) for years 2018–2022.

- County: 14.3%, 12.7%, 10.9%, 0.0%, 0.0%
- City: 22.6%, 11.5%, 13.5%, 16.0%, 11.1%
- Town: 0.8%, 1.3%, 1.1%, 0.2%, 0.5%
- Village: 1.6%, 1.5%, 1.7%, 2.2%, 1.1%

Legend: ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022

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12

Fiscal Stress Trends, FYEs 2018 to 2022

Legend: Calendar Year, Non-Calendar Year, All Municipalities

Year	Calendar Year	Non-Calendar Year	All Municipalities
2018	25	10	35
2019	22	9	31
2020	19	11	30
2021	8	12	20
2022	9	5	14
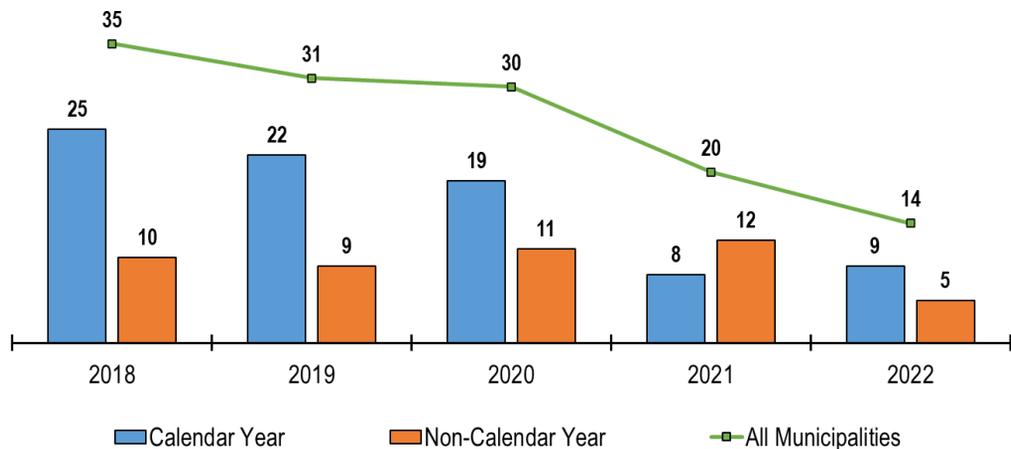
Why was fiscal stress down, again?

- The number of municipalities designated in fiscal stress declined from 30 in FYE 2020 to 20 in FYE 2021 to 14 in FYE 2022.
- Many municipalities were able to bolster their cash and fund balance levels as a result of temporarily inflated revenues.
  - First-half ARPA payments affected FYE 2021 for calendar year municipalities and FYE 2022 for most non-calendar year;
  - Second-half ARPA payments affected FYE 2022 for calendar year municipalities and FYE 2023 for most non-calendar year; and
  - Local sales tax revenues increased by 7.1% in FYE 2022, more than twice as strong as the average pre-pandemic growth.

Notable Fiscal Stress Indicators

- The number of municipalities with a low fund balance decreased in FYE 2022, marking the third consecutive year of decline.
  - This indicator category accounts for half (50%) of the total fiscal stress score.

Low Fund Balance

2018	2019	2020	2021	2022
14.5%	15.2%	11.9%	7.5%	6.9%

- The number of municipalities with a low cash position has continued to decline since FYE 2020, hitting a low of 0.9 percent in FYE 2022.
  - This indicator category accounts for 20% of the total fiscal stress score.

Low Cash Position

2018	2019	2020	2021	2022
4.9%	5.2%	4.6%	1.8%	0.9%

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15
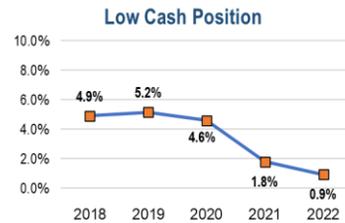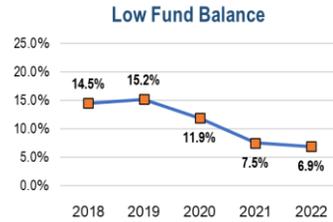
Non-Filer Trend, FYEs 2013 to 2022

FSMS Upgrade in 2017

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
121	122	125	135	122	136	171	170	188	209

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16

8
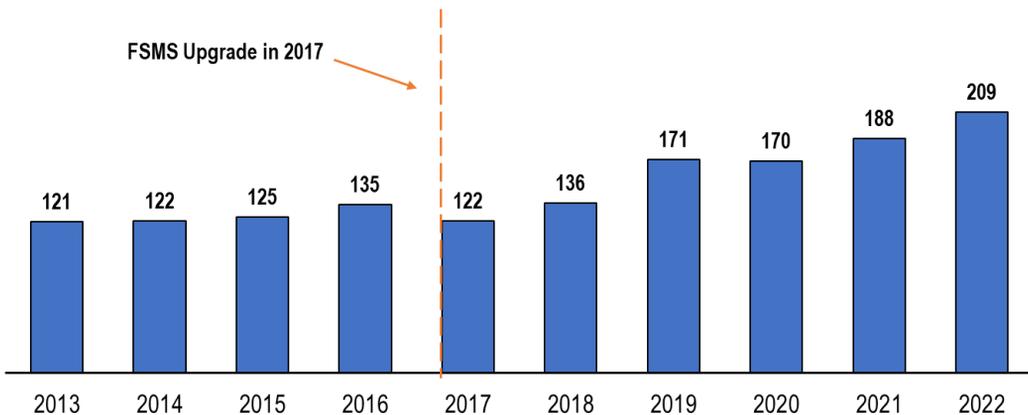
FSMS 10 Year Anniversary

- OSC's award winning early warning system has now been in operation for 10 years (2013 to 2022).
- The FYE 2022 report (to be released at the end of the month) will include a "special section" highlighting some selected FSMS statistics over the past decade, including:
  - Factors that Can Contribute to Repeated Fiscal Stress;
  - Chronically Stressed Local Governments; and
  - Pathways Into and Out of Fiscal Stress.
- A new interactive visualization will allow users to see the filing status, fiscal stress designation and score for each local government from FYEs 2013 to 2022.

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17

Resources

Fiscal Stress Monitoring System Webpage

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18

Resources

Financial Toolkit for Local Officials

Resources

Self-Assessment Tool Demonstration

Contact Us

Email: localgov@osc.ny.gov

Phone Number: (866) 321-8503
– Option 4 for Data Management Unit

21

Questions?

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22