

Office of the NEW YORK STATE

COMPTROLLER

2019 Annual Report On Local Governments



New York State Comptroller
THOMAS P. DiNAPOLI

FEBRUARY 2020

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2019

Division of Local Government and School Accountability

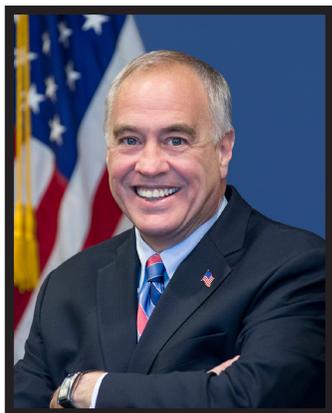
Mission and Goals

The mission of the Division of Local Government and School Accountability is to serve taxpayers' interests by improving the fiscal management of municipalities and school districts in New York State.

To achieve our mission, we have developed the following goals:

- Enable and encourage local government officials to maintain or improve fiscal health by increasing efficiency and effectiveness, managing costs, improving service delivery, and accounting for and protecting assets.
- Promote government reform and foster good governance in communities statewide by providing local government and school officials with up-to-date information and expert technical assistance.

A Message From New York State Comptroller Thomas P. DiNapoli



As State Comptroller, one of my most important responsibilities is to monitor the financial operations of the State's local governments. In 2019, the Office of the State Comptroller (OSC) continued to foster the efficient use of taxpayers' dollars in many ways, including completing over 350 audits of municipalities, school districts and other local entities, training nearly 8,000 local government officials and staff, and gathering and reporting local government financial data.

OSC's website is a valuable resource for those interested in local government financial information. As always, users can access financial reports for individual local governments; they can now also conduct their own analysis with our user-friendly interactive dashboards. Of course, visitors can also use Open Book New York to learn about specific entities or download comprehensive datasets that compare all entities within a class of local government. These resources are available to help local officials perform their duties and keep the public informed of what is happening with their local tax dollars.

The vast majority of New York's local governments and school districts are not in fiscal stress, according to our Fiscal Stress Monitoring System, but challenges remain. Ever-changing fiscal relationships with the State often raise concerns for local officials and require ongoing attention. Whatever the environment, my office will continue to provide information, assistance and guidance to local officials and taxpayers. In addition to our audits and budget reviews, we provide in-person and online training, collect and post extensive local government financial data, and publish research reports on topics of interest.

The Office of the State Comptroller and the Division of Local Government and School Accountability remain committed to providing the public with the best information available about local governments. I hope you find this report useful, and I encourage you to visit our website and follow us on Facebook, Twitter and YouTube for the latest on our work.

Sincerely,

Thomas P. DiNapoli
State Comptroller

The State of Local Governments

This annual report focuses on local fiscal years ending (FYE) in 2018, the latest data available for all classes of local government together, and describes some of the factors driving changes in local revenues, expenditures and indebtedness over time. New York City is excluded from this analysis unless otherwise indicated.¹

This report features several one-page “dashboards” – charts that, taken together, provide a quick overview of major aspects of local government finances. Dashboards for revenues, expenditures and debt accompany the sections that focus on these areas. Additional dashboards offer separate presentations for each class of government (counties, cities, towns, villages, fire districts and school districts) included in this report. An aggregate FYE 2018 financial data table is included at the end of the report. Additionally, we offer a set of interactive dashboards online to enable users to view data for individual counties, cities, towns, villages and school districts.



Revenues

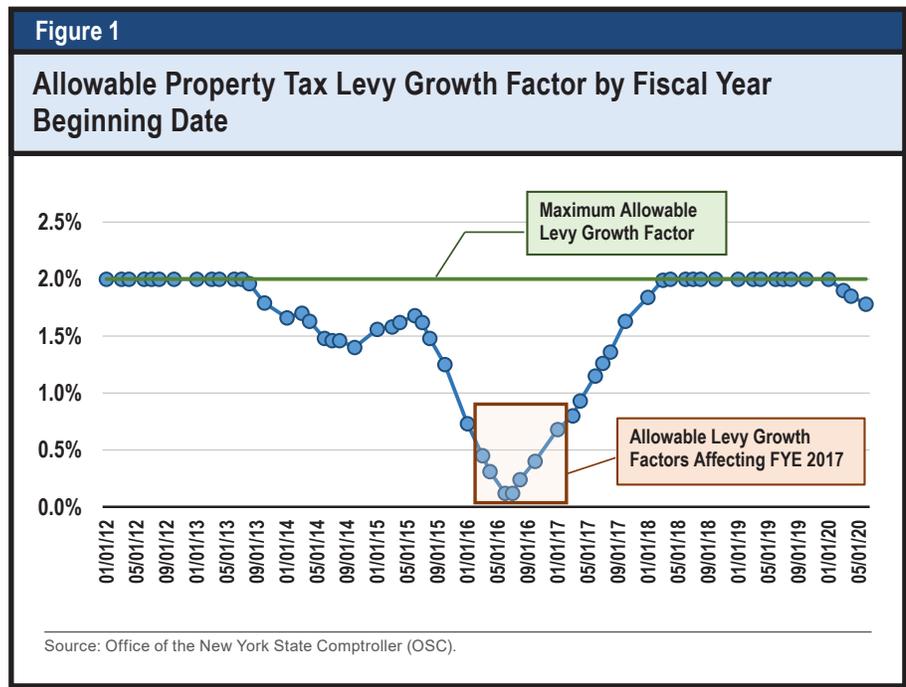
Total revenues for local governments were \$82.7 billion for the local fiscal year ending in 2018. Over the last decade, total local revenues have grown at a compound average rate of 1.9 percent per year. School district revenues amounted to \$41.7 billion, a little more than half of the total, and counties generated \$24.7 billion, almost 30 percent. Cities, towns, villages and fire districts combined reported \$16.2 billion (20 percent). The three major revenue sources for most local governments were property taxes, State aid, and sales and use taxes. (See the Revenues Dashboard.)

Property Taxes

The real property tax is the largest source of revenue for local governments, generating \$35.7 billion, or 43 percent of all revenue in FYE 2018. Local governments are subject to two separate property tax limits in New York: the tax levy limit (“tax cap”) and the Constitutional Tax Limit.

Real Property Tax Cap

The tax cap limits year-over-year levy growth to 2 percent annually or the inflation rate, whichever is lower.² Between 2013 and 2018, low inflation rates kept the allowable levy growth factor (ALGF) under 2 percent. The ALGFs calculated for municipalities with fiscal years ending in 2017 approached zero. While the rate rose to 2 percent for most of FYE 2019 and 2020, more recent inflation rates have caused the ALGF to be under 2 percent for FYE 2021. (See Figure 1.)



Revenues - All Major Classes

Fiscal Year Ending in 2018

Total revenues grew at an annual rate of

1.9%

over 10 years

School districts received

62.8%

of real property taxes

State aid grew at an annual rate of

2.1%

over 10 years

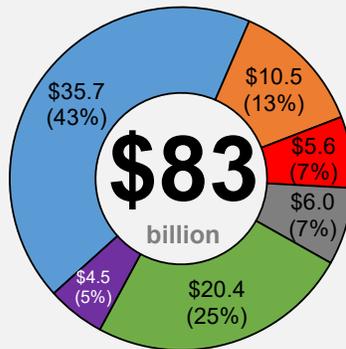
Federal aid totaled

\$4.5

billion

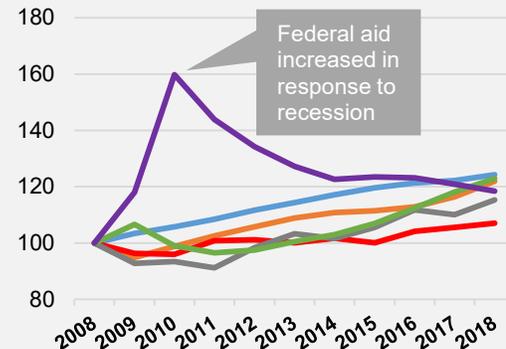
Revenues by Source

Total Dollars (in billions)



- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2008 = 100)



Percentage of Total for Each Class

| Revenue Sources | County | City | Town | Village | School District | Fire District |
|--------------------------------|--------|-------|-------|---------|-----------------|---------------|
| Real Property Taxes | 23.1% | 25.9% | 53.6% | 48.5% | 53.7% | 93.3% |
| Sales and Use Taxes | 33.8% | 18.9% | 9.6% | 6.0% | 0.7% | 0.0% |
| Charges for Services | 9.6% | 19.9% | 13.9% | 27.6% | 0.9% | <0.1% |
| Other Local Taxes and Revenues | 11.4% | 12.3% | 12.8% | 9.8% | 3.1% | 5.8% |
| State Aid | 12.4% | 17.8% | 7.5% | 5.8% | 37.7% | 0.4% |
| Federal Aid | 9.6% | 5.2% | 2.5% | 2.3% | 3.9% | 0.6% |

Trends in Total Revenues

Year-Over-Year Change



Annual Growth Rate

| | 2008 to 2018 | 2017 to 2018 |
|-----------------|--------------|--------------|
| County | 1.6% | 2.5% |
| City | 1.8% | 2.1% |
| Town | 1.9% | 3.7% |
| Village | 1.6% | 2.0% |
| School District | 2.2% | 2.6% |
| Fire District | 2.7% | 4.1% |
| Total | 1.9% | 2.6% |

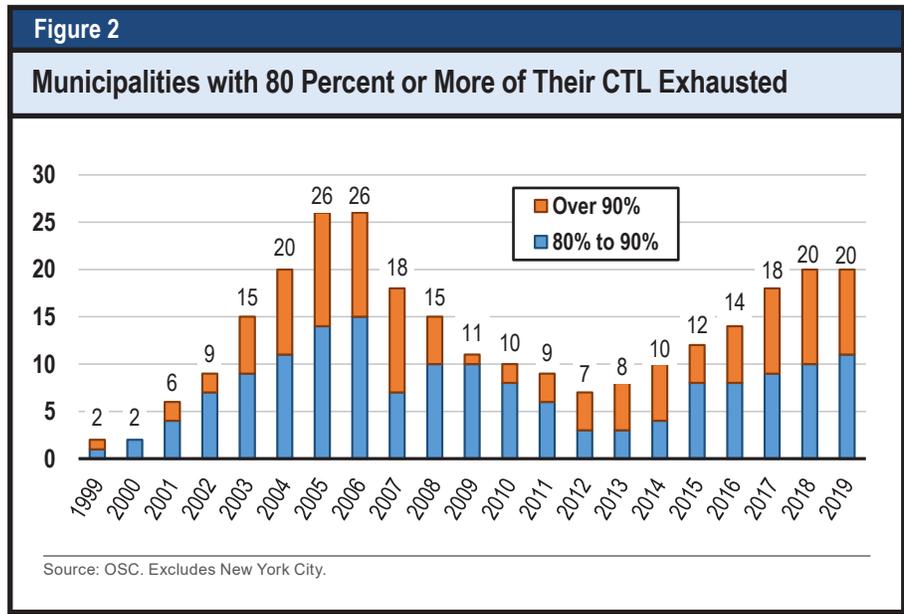
Source: OSC

Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts except New York City. The annual growth rate for 2008 to 2018 is the compound annual growth rate. Real property tax revenues also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief (STAR payments). Other local taxes and revenues include other non-property taxes, charges to other governments, use and sale of property, and other local revenues.

Constitutional Tax Limit (CTL)

The CTL restricts the amounts of property tax any county, city or village may raise by taxing real property in any single fiscal year, as a percentage of average full value of real property.³ If a county, city or village exceeds its CTL, the State Comptroller must withhold State aid in the amount of the excess. Once a local government is within 80 percent of its CTL, its budgetary flexibility is affected, since full value decreases or

levy increases tend to push it toward exceeding the limit. In the last six years, the number of entities exhausting 80 percent or more of their limit has been growing – from 7 in FYE 2012 to 20 in FYE 2019. The City of Jamestown was at 100 percent of its CTL in 2017, 2018 and 2019.⁴ (See Figure 2.)



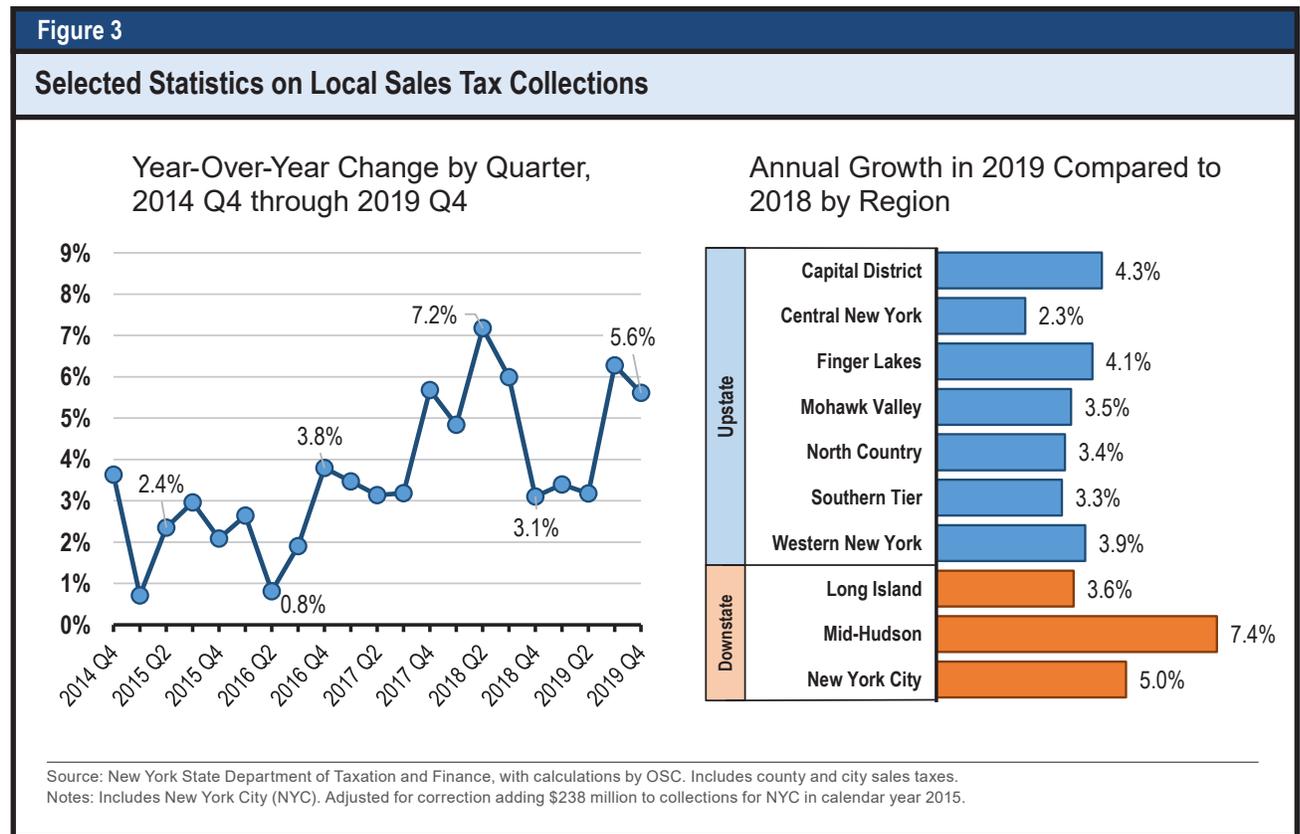
State Aid

State aid is the next largest revenue source for local governments overall. It is particularly significant for school districts, accounting for 38 percent of total revenues in FYE 2018. (See School District Dashboard.) However, State aid also represents a significant share of revenues for other local governments, whether for social service programs in counties, for highways (mostly in cities and towns) or as unrestricted municipal aid (mainly in cities). State aid, especially to school districts, increased between 2008 and 2018, with most of this growth occurring in the second half of the decade and following earlier decreases.

Sales Tax

At 33.8 percent of total revenues, the sales tax is the largest source of revenue for counties. It is also an important source of revenue for cities (18.9 percent) and towns (9.6 percent).

After growing slowly in 2015 and 2016, sales tax collections grew more rapidly from 2017 onward. Indeed, most upstate regions experienced significant collections gains in 2018, with more modest growth in 2019. Overall, in 2019 local sales tax collections in the State increased annually by 4.7 percent.⁵ (See Figure 3.)



Expenditures

Total expenditures by local governments were \$85.8 billion in FYE 2018.⁶ (See Expenditures dashboard.) Half of this spending was by school districts, with counties accounting for 30 percent of local government expenditures. (See Figure 4.)

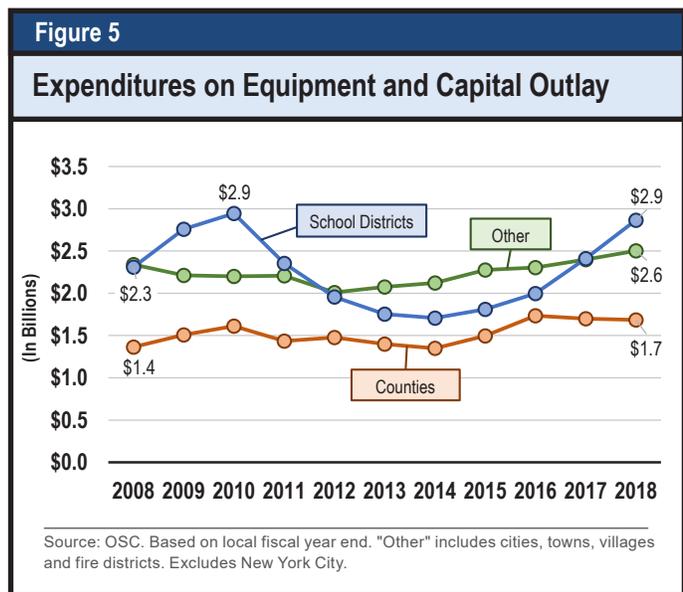
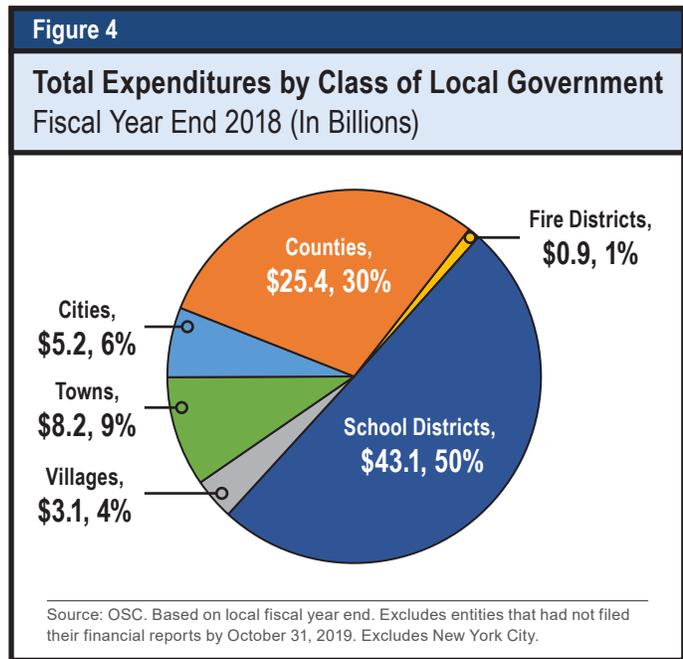
Spending can be examined by “function” and “object” of expenditure.

By Function

A functional presentation of expenditures describes what general purpose the spending is for, such as public protection or transportation. Statewide, education represents the largest function of government, because school district expenditures are almost entirely in this category. Expenditures in support of local government legislative, judicial and executive operations, and financial services are part of the general government category, the second largest function. Functional presentations for individual entities are available in the interactive data being released with this report.

By Object

The object of expenditure refers to the items purchased or services obtained in order to carry out a function.⁷ These include personal services (salaries), employee benefits, equipment and capital purchases, supplies and debt service. Employee costs (salaries and benefits together) accounted for over half of expenditures by local governments, ranging from 36 percent of all expenditures for counties to 66 percent for school districts. Over the past ten years, employee benefits have been the fastest growing component of local government expenditures, increasing at a compound annual rate of 3.7 percent from 2008 to 2018, even as total expenditures only grew by 1.8 percent per year.



Expenditures - All Major Classes

Fiscal Year Ending in 2018

Total expenditures grew at an annual rate of

1.8%

over 10 years

School districts accounted for

50.2%

of total spending

Employee benefits grew at an annual rate of

3.7%

over 10 years

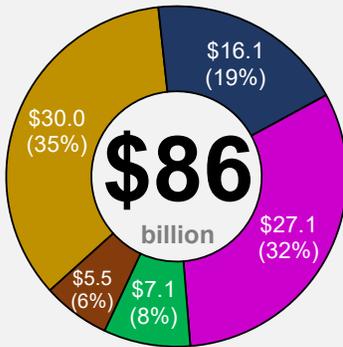
Salaries and benefits accounted for

53.7%

of total spending

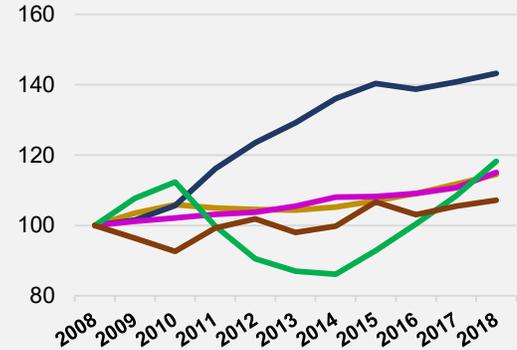
Total Expenditures by Object

Total Dollars (in billions)



- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2008 = 100)



Percentage of Total for Each Class

| Object of Expenditure | County | City | Town | Village | School District | Fire District |
|------------------------------|--------|-------|-------|---------|-----------------|---------------|
| Personal Services | 21.2% | 34.9% | 27.2% | 29.3% | 45.3% | 18.6% |
| Employee Benefits | 14.6% | 24.9% | 16.6% | 17.8% | 21.0% | 20.1% |
| Contractual Items | 52.1% | 20.2% | 31.5% | 28.9% | 21.2% | 28.1% |
| Equipment and Capital Outlay | 6.6% | 12.0% | 14.2% | 16.2% | 6.7% | 26.2% |
| Debt Principal | 3.5% | 5.9% | 8.3% | 6.1% | 4.5% | 5.3% |
| Debt Interest | 1.9% | 2.1% | 2.0% | 1.8% | 1.4% | 1.7% |

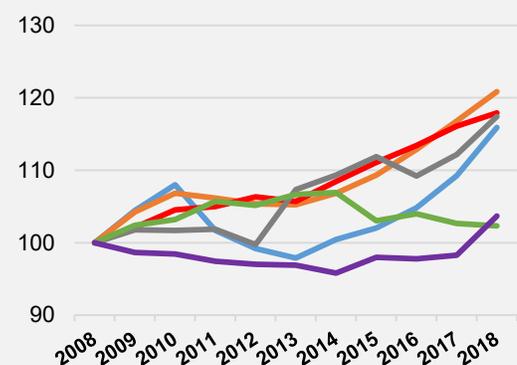
Selected Expenditures by Function

Total Dollars (in billions)



- General Government
- Education
- Public Safety
- Transportation
- Social Services
- Other

Trend (Indexed FYE 2008 = 100)



Source: OSC

Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts except New York City. The annual rate for 2008 to 2018 is the compound annual growth rate. Debt service includes payments made on principal and interest. The "Other" category of selected expenditures by function includes health, sanitation, economic development, culture and recreation, community services and utilities.

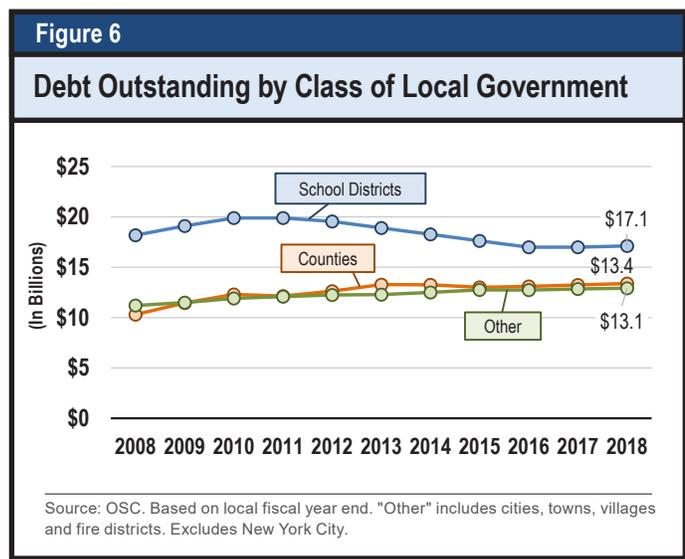
For several years following the 2008 financial crisis, expenditures on equipment and capital declined, although they have recovered since 2014. The decline was most noticeable for school districts, where expenditures dropped by 42 percent from 2010 to 2014. (See Figure 5.) The spending lag in this area could indicate that local governments may have deferred necessary infrastructure investments and other capital improvements, which can lead to higher spending later. However, in 2018 equipment and capital expenditures were back at near 2010 levels for school districts and at 10-year highs for counties and certain other local governments.⁸

Debt

Most local governments that issue debt are borrowing for capital or major equipment, such as water and sewer systems, roads, bridges, buildings and items such as vehicles and computer systems.⁹ The “period of probable usefulness” of a capital asset sets the maximum period that the local government can repay this debt. However, in certain cases, debt can signal fiscal stress, such as an overreliance on long-term debt, excessive use of short-term debt—and in the worst cases—needing State-authorized deficit financing in order to remain solvent. One measure of the capacity to support debt is debt as a percentage of total revenues. (See Debt Dashboard.)

Outstanding Debt

At the end of FYE 2018, local governments had \$43.4 billion in debt outstanding. This represents a 10 percent increase from the debt outstanding in 2008. However, debt outstanding is still less than 2010 levels. School district debt has increased slightly from FYE 2017 after declining significantly from 2010 to 2016. Debt for most other types of government increased over the last decade, with larger increases for counties and fire districts. (See Figure 6.)



Debt - All Major Classes

Fiscal Year Ending in 2018

Total debt grew at an annual rate of **1.0%** over the last 10 years

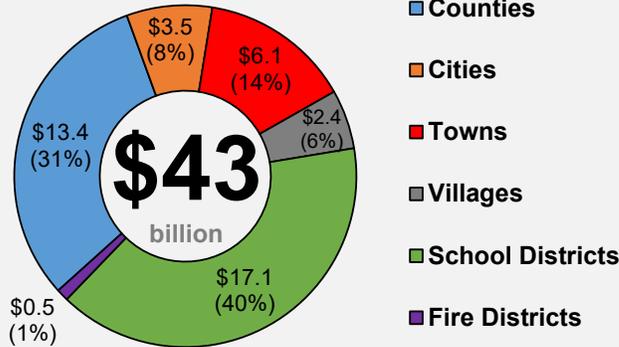
Local governments paid **\$5.5** billion in debt service

School districts account for **39.4%** of debt outstanding

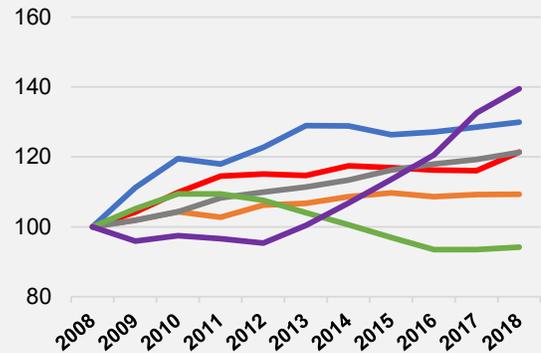
Short-term debt was issued by **2.1%** of local governments

Total Debt Outstanding

Total Dollars (in billions)

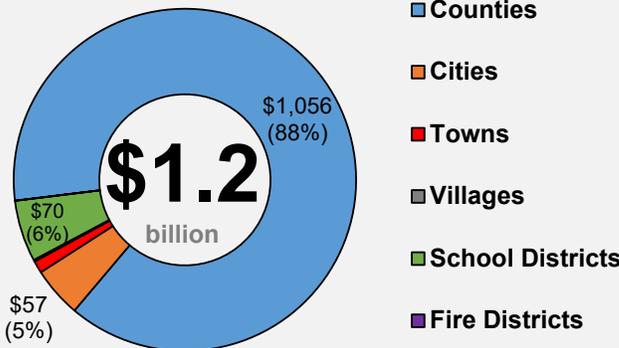


Trend (Indexed FYE 2008 = 100)

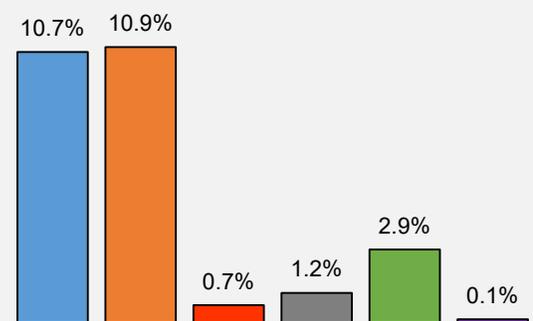


Short-Term Debt Outstanding

Total Dollars (in millions)

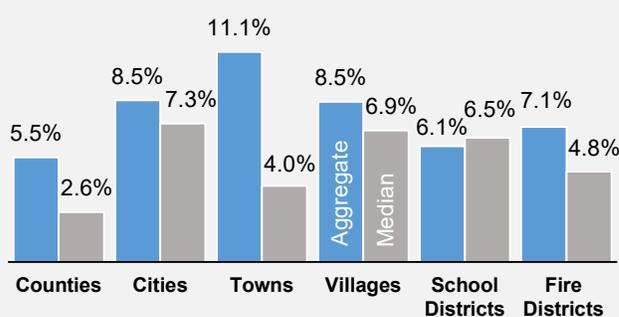


Percentage of Entities in Each Class That Have Short-Term Debt

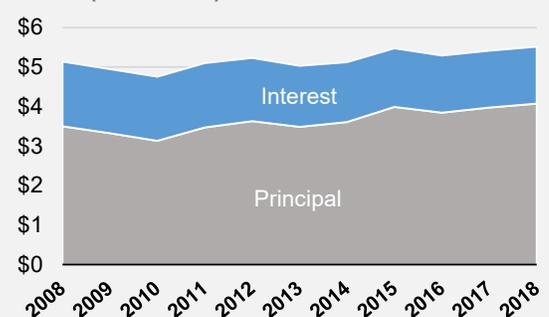


Debt Service

As a Share of Total Revenue



Trend (in billions)

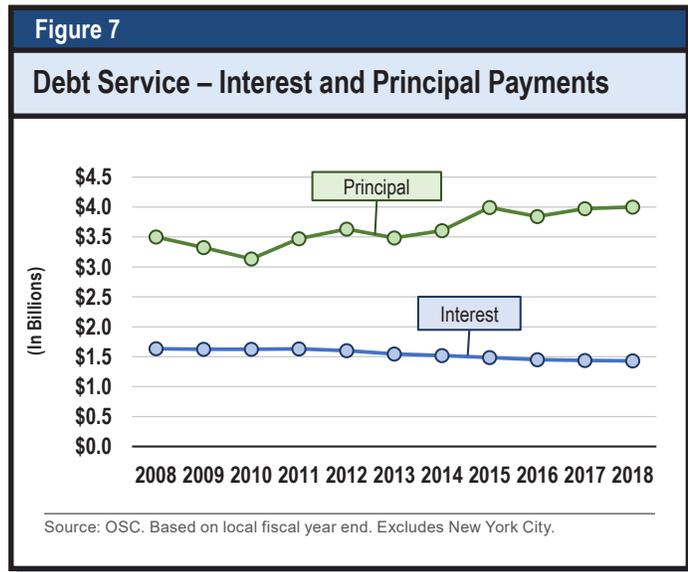


Source: OSC

Notes: Includes New York State counties, cities, towns, villages, school districts and fire districts except New York City. The annual rate for 2008 to 2018 is the compound annual growth rate. Debt service includes payments made on principal and interest. Short-term debt includes revenue anticipation notes, tax anticipation notes, budget notes and deficiency notes. Shares of debt that are less than 1 percent are not shown in the pie charts above.

Debt Service

Total debt service payments (principal and interest) increased by 7.2 percent between 2008 and 2018. Even this modest increase was entirely due to a 16 percent increase in principal payments; interest payments actually declined by 12 percent during this period. (See Figure 7.) This is a positive development, since it suggests local governments are paying off outstanding debt more quickly. This would allow for a long-term reduction in debt service payments, increasing financial flexibility.



Short-Term Debt

Local governments can find themselves needing to borrow to help them address a temporary cash flow problem. This may stem from unanticipated expenditures (e.g., a natural disaster or other unforeseeable event) or cash flow timing issues (e.g., expenditure payments due before revenues are collected).¹⁰ However, as noted above, short-term debt can also indicate that a local government is not managing its finances effectively, and increasing reliance on short-term debt issuance can be a sign of fiscal stress. In 2018, local governments had \$1.2 billion in outstanding short-term debt, although only 2.1 percent of all local governments reported having any. Counties issued the largest amount of short term debt, accounting for 88 percent of the total.

Deficit Financing

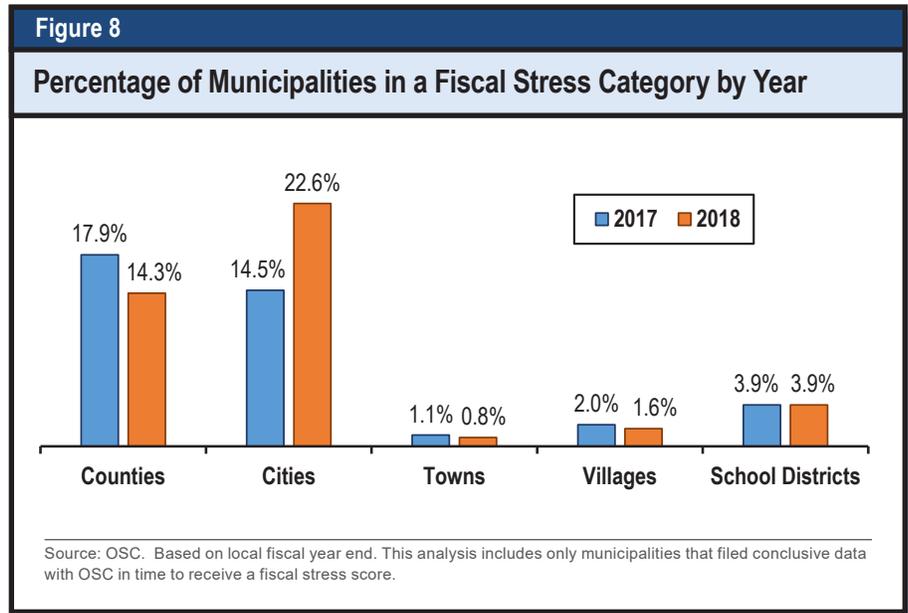
In severe cases of fiscal stress, where recurring revenue has failed to fund current operations, a local government or school district may seek assistance from the State to enact a special law that would allow them to issue deficit-financing bonds. These bonds are meant to assist a local government or school district in resolving its current budget shortfalls. Through 2018, eight local governments have reported outstanding deficit-financing bonds.¹¹ In 2019, the City of Amsterdam was also authorized to issue deficit-financing bonds of up to \$8.3 million that may be repaid over ten years.¹²

Fiscal Stress

According to the Comptroller's Fiscal Stress Monitoring System (FSMS), 35 local governments and 26 school districts were in fiscal stress in FYE 2018, declining slightly from 37 local governments and 26 school districts for the year prior.¹³

Cities and counties are generally more likely than other classes of local government to show signs of fiscal stress. In FYE 2018, the

percentage of counties in stress decreased slightly, but the percentage of cities in fiscal stress increased substantially. Individual scores and more information about FSMS are available at www.osc.state.ny.us/localgov/fiscalmonitoring.¹⁴ (See Figure 8.)



Risks and Opportunities

While most local governments and school districts are not in fiscal stress according to OSC's Fiscal Stress Monitoring System, they continue to face financial pressures on many fronts.

Health insurance premium rates in the State continue to increase, and based on data reported by local governments, expenditures on equipment and capital may have been deferred in prior years, which can lead to rising expenses in the future.¹⁵ On a positive note, employer contribution rates for the New York State and Local Retirement System (NYSLRS) remain flat for State Fiscal Year (SFY) 2020-21—the seventh straight year the pension contribution rate has either been lowered or essentially kept flat.¹⁶

On the revenue side, the property tax cap has recently dipped below the 2 percent maximum, which will impact how much local governments and school districts can raise through tax levies without seeking an override. In a few cases, such as the City of Jamestown, the CTL will continue to constrain the ability of local governments to increase tax levies. In addition, the SFY 2019-20 Enacted State Budget made counties responsible for funding \$59 million in payments to towns and villages that had previously received funding from the State's Aid and Incentives for Municipalities (AIM) program.¹⁷

The future holds both risk and promise for New York's local governments. State aid is an important revenue source for school districts and most other local government entities; the State currently faces budgetary challenges that may result in actions to limit local assistance or shift costs to localities. At the local level, new technologies, such as interactive online communication with residents, tracking software on municipal equipment and street lights with upgraded LED technology, are reshaping how local government services are delivered across the State. This has tremendous promise for greater efficiency and better service provision, but also opens the door to significant new risks in keeping data about both residents and government operations secure.¹⁸

Local governments should continue to budget conservatively and seek innovative solutions that contain costs while enabling them to provide needed services. Exploring shared services to achieve savings or improve quality may be a valuable strategy.¹⁹ Ultimately, an integrated multiyear planning process can be of great assistance in meeting all these challenges and in identifying future opportunities to improve operations and finances. The State's Financial Restructuring Board for Local Governments has funding available to help eligible municipalities engage in multiyear planning with the assistance of an external advisor. (See frb.ny.gov.)

On the following pages are dashboards that summarize financial data for counties, cities, towns, villages, school districts and fire districts.

Financial Data for Counties (57 Total)

Fiscal Year Ending in 2018

Total revenues grew at an annual rate of

1.6%

over 10 years

Real property taxes accounted for

23.1%

of total revenues

Employee benefits grew at an annual rate of

3.0%

over 10 years

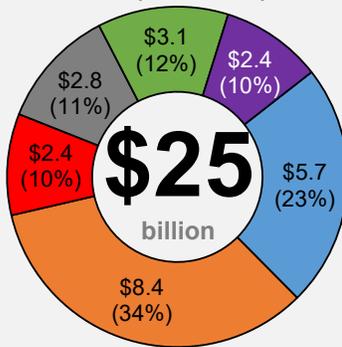
Total debt outstanding amounted to

\$13.4

billion

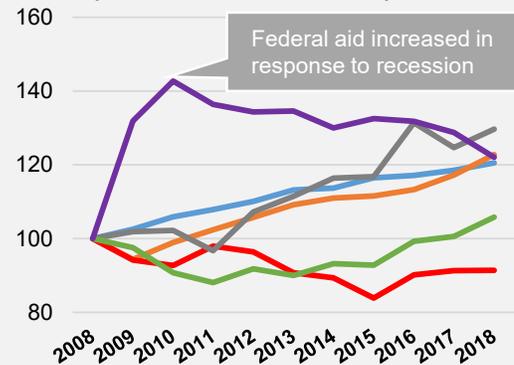
Revenues by Source

Total Dollars (in billions)



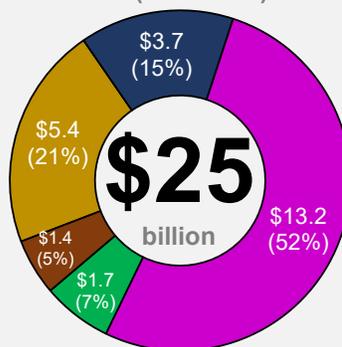
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2008 = 100)



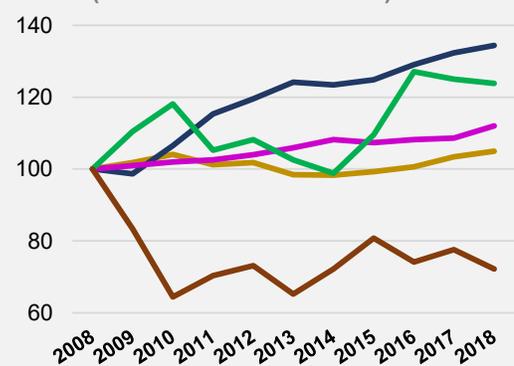
Expenditures by Object

Total Dollars (in billions)



- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2008 = 100)

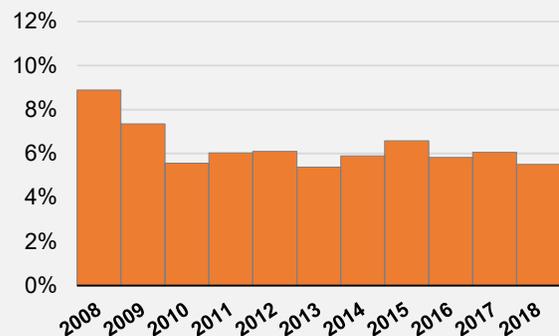


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State counties except the five boroughs of New York City. The annual growth rate for 2008 to 2018 is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments).

Financial Data for Cities (61 Total)

Fiscal Year Ending in 2018

Total revenues grew at an annual rate of

1.8%

over 10 years

Real property taxes accounted for

25.9%

of total revenues

Employee benefits grew at an annual rate of

4.4%

over 10 years

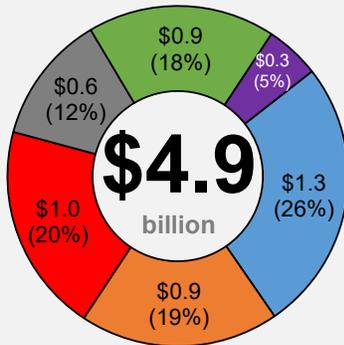
Total debt outstanding amounted to

\$3.5

billion

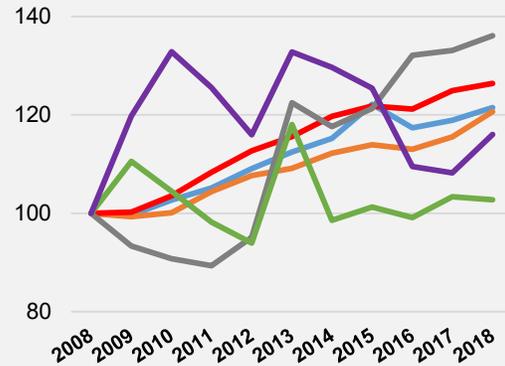
Revenues by Source

Total Dollars (in billions)



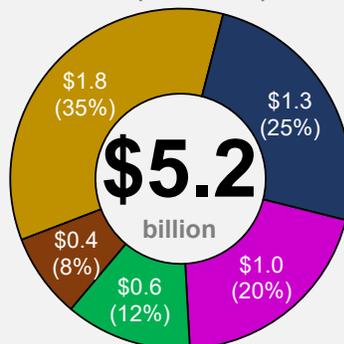
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2008 = 100)



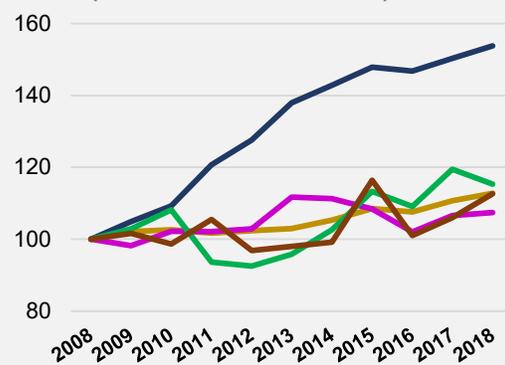
Expenditures by Object

Total Dollars (in billions)



- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2008 = 100)

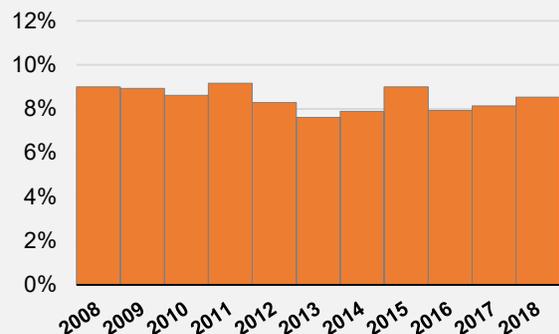


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State cities except New York City. The annual growth rate for 2008 to 2018 is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments).

Financial Data for Towns (933 Total)

Fiscal Year Ending in 2018

Total revenues grew at an annual rate of

1.9%

over 10 years

Real property taxes accounted for

53.6%

of total revenues

Employee benefits grew at an annual rate of

4.4%

over 10 years

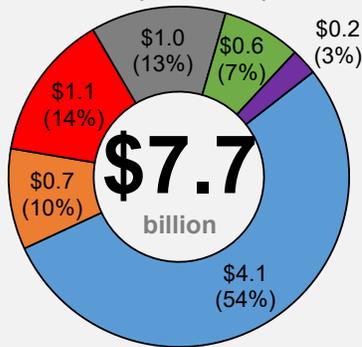
Total debt outstanding amounted to

\$6.1

billion

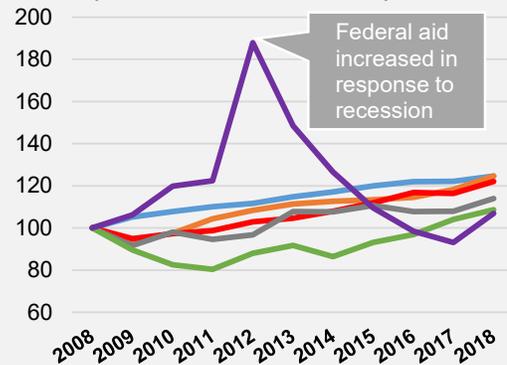
Revenues by Source

Total Dollars (in billions)



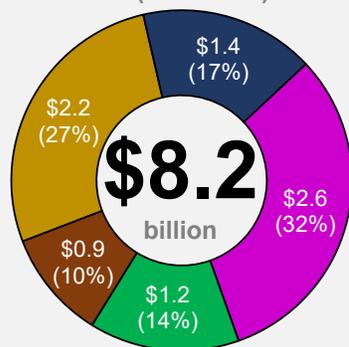
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2008 = 100)



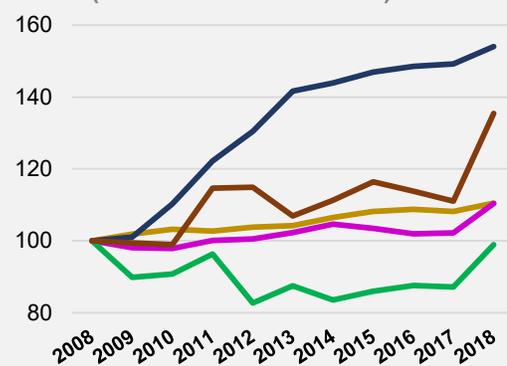
Expenditures by Object

Total Dollars (in billions)



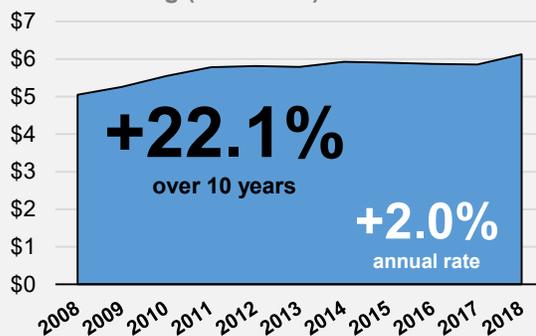
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2008 = 100)

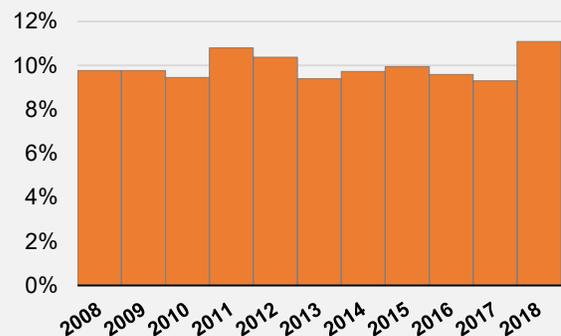


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State towns. The annual growth rate for 2008 to 2018 is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments).

Financial Data for Villages (535 Total)

Fiscal Year Ending in 2018

Total revenues grew at an annual rate of

1.6%

over 10 years

Real property taxes accounted for

48.5%

of total revenues

Employee benefits grew at an annual rate of

4.2%

over 10 years

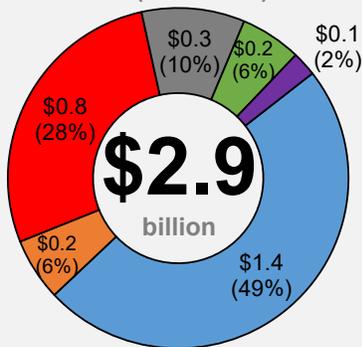
Total debt outstanding amounted to

\$2.4

billion

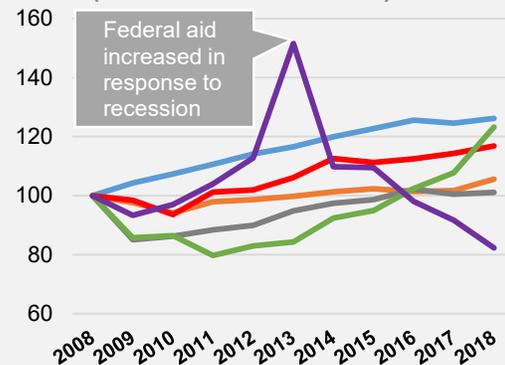
Revenues by Source

Total Dollars (in billions)



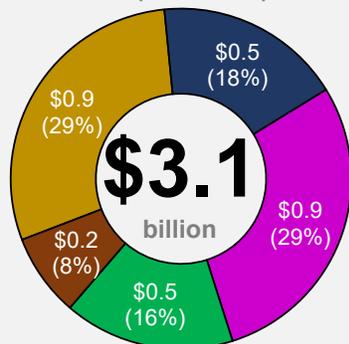
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2008 = 100)



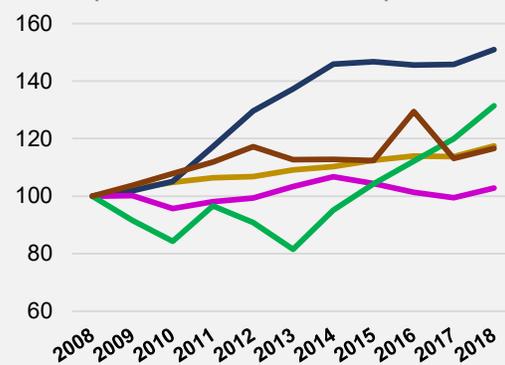
Expenditures by Object

Total Dollars (in billions)



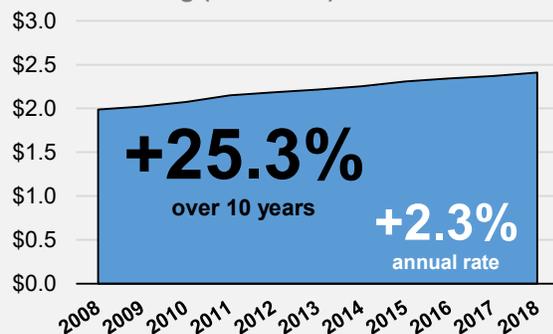
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2008 = 100)

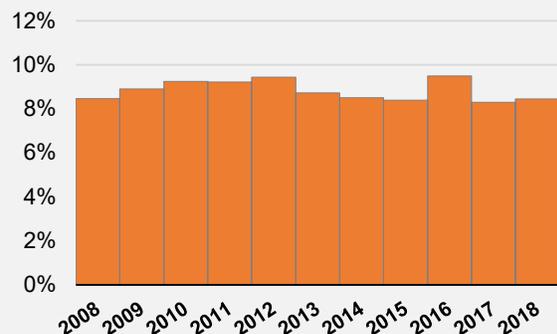


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State villages. The annual growth rate for 2008 to 2018 is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments).

Financial Data for School Districts (691 Total)

Fiscal Year Ending in 2018

Total revenues grew at an annual rate of

2.2%

over 10 years

Real property taxes accounted for

53.7%

of total revenues

Employee benefits grew at an annual rate of

3.7%

over 10 years

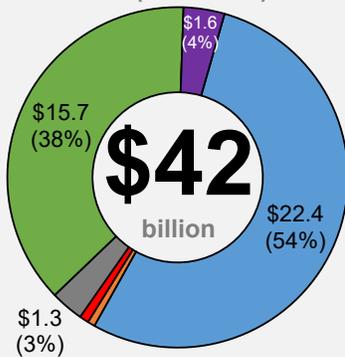
Total debt outstanding amounted to

\$17.1

billion

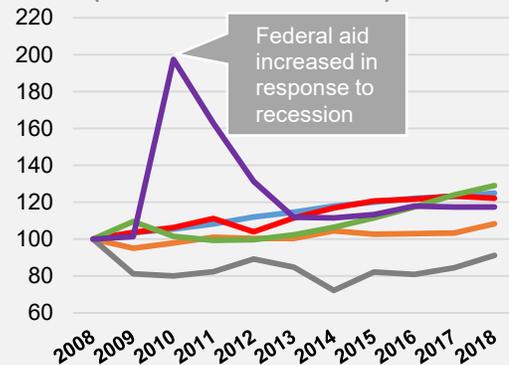
Revenues by Source

Total Dollars (in billions)



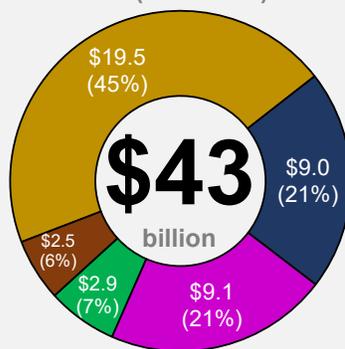
- Real Property Taxes
- Sales and Use Taxes
- Charges for Services
- Other Local Taxes and Revenues
- State Aid
- Federal Aid

Trend (Indexed FYE 2008 = 100)



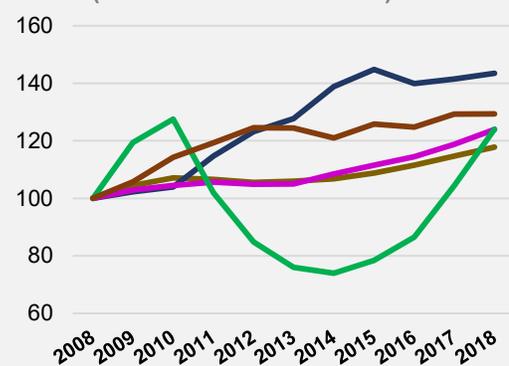
Expenditures by Object

Total Dollars (in billions)



- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2008 = 100)

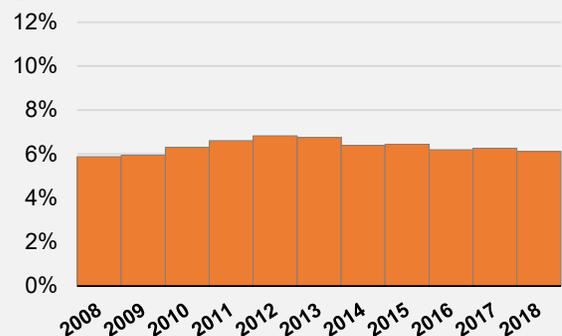


Debt Trends

Debt Outstanding (in billions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes school districts outside of New York City. The annual growth rate for 2008 to 2018 is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments). Shares that are less than 1 percent are not shown in the charts above.

Financial Data for Fire Districts (896 Total)

Fiscal Year Ending in 2018

Total revenues grew at an annual rate of

2.7%

over 10 years

Real property taxes accounted for

93.3%

of total revenues

Employee benefits grew at an annual rate of

4.6%

over 10 years

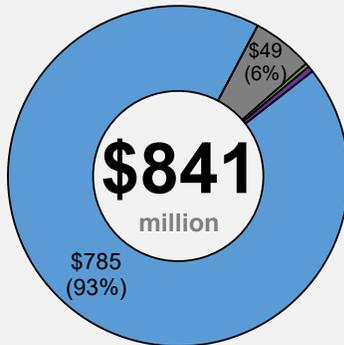
Total debt outstanding amounted to

\$491

million

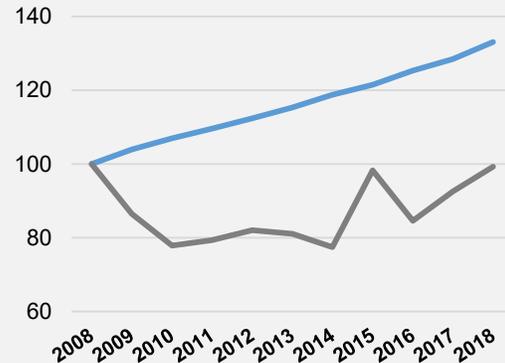
Revenues by Source

Total Dollars (in millions)



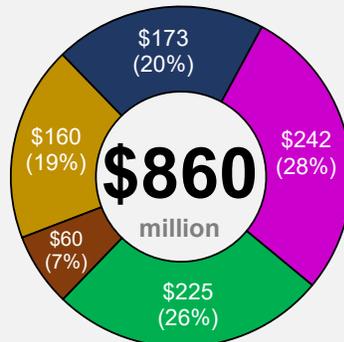
- Real Property Taxes
- Other Local Taxes and Revenues

Trend (Indexed FYE 2008 = 100)



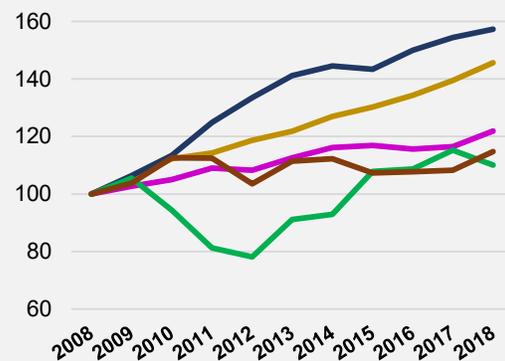
Expenditures by Object

Total Dollars (in millions)



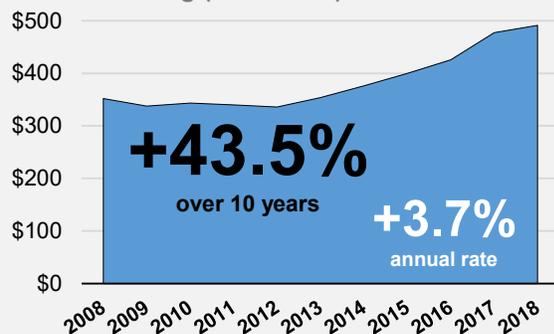
- Personal Services
- Employee Benefits
- Contractual Items
- Equipment and Capital Outlay
- Debt Service

Trend (Indexed FYE 2008 = 100)

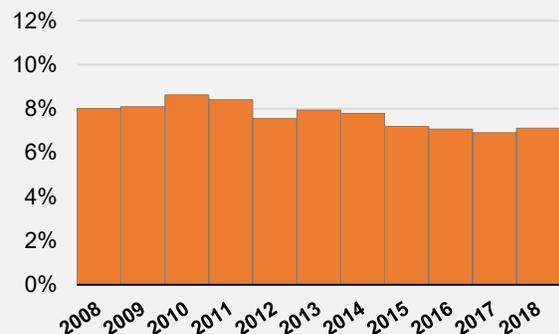


Debt Trends

Debt Outstanding (in millions)



Debt Service Share of Total Revenues



Source: OSC.

Notes: Includes New York State fire districts. The annual growth rate for 2008 to 2018 is the compound annual growth rate. Real property tax revenues shown above also include other real property tax items such as payments in lieu of taxes (PILOTs) and school tax relief payments (STAR payments). Shares that are less than 1 percent are not shown in the charts above.

Legislation Affecting Local Governments

Recently Enacted Legislation

Local Authority Transparency Reforms

Suspension of Board Members

(Chapter 181 of the Laws of 2019)

The State Authorities Budget Office (ABO) now has the ability to suspend one or more members of a local authority's board of directors, or the authority's chief executive officer, up to 90 days for failure to file required reports. These reports include, among other things: financial statement information; debt schedules; and projects undertaken in the last year.²⁰ Local authority officials have three years to file these reports with the ABO before a suspension is issued. Whoever appointed the party that is subject to a suspension — typically a local government official or legislative body — may reinstate this suspended member only by providing a reason, in writing, that explains how they reached their decision.

Industrial Development Agencies (IDA) Meeting Recordings

(Chapter 185 of the Laws of 2019)

Each IDA is now required to stream, to the extent practicable, all open meetings and public hearings on their website in real time. IDAs must post the video recording on their website within five business days of the meeting or hearing and maintain this recording for at least five years.

Enacted Legislation Proposed by OSC

Comptroller DiNapoli regularly advances legislative proposals to increase local government transparency and accountability. In 2019, the following legislation was enacted:

- **Grants OSC Authority to Audit Local Development Corporations and Certain Other Organizations**
(Chapter 710 of the Laws of 2019)

Local governments have utilized local development corporations (LDCs), as well as certain other organizations controlled by municipal corporations and other governmental entities, as a means to indirectly finance local government operations and projects.

Such organizations are established as legally separate from a local government entity, but as a practical matter, they often function as an instrument and under the control of the local government.

This legislation addresses this reality and expands the Comptroller's audit authority to include direct audits of private organizations that are under the control of one or more local government entities. Such audits will provide greater assurance that these organizations are operating in the public interest.

Property Taxes

Permanent Property Tax Levy Limit (Tax Cap)

(Chapter 59 of the Laws of 2019)

The SFY 2019-20 Enacted Budget made the property tax levy limit (referred to as the “tax cap”) permanent for local governments and school districts. Previously, the tax cap legislation was tied to the extension of rent control in New York City and scheduled to sunset after June 15, 2020.

Changes in Property Tax Administration

(Chapter 59 of the Laws of 2019)

The SFY 2019-20 Enacted Budget made several changes that impact the way local governments administer property taxes. These changes include:

- Allowing members of an assessing unit’s board of assessment review to be appointed by the county at local option. Each appointed member would have to be a resident of the county but would not have to be a resident of the assessing unit. The board of assessment review has the authority to receive, review and resolve petitions by property owners for assessment review and correction of errors.
- Allowing the New York State Department of Taxation and Finance to furnish certain required property tax notices to assessors, currently sent through postal mail, by email or through a website posting.
- Requiring electric generating facilities to file annual reports with Taxation and Finance showing their inventory, revenues and expenditures from the most recent fiscal year. These reports can assist Taxation and Finance in accurately valuing these properties.

OSC Legislative Proposals

Comptroller DiNapoli’s current legislative proposals affecting local governments include:

- **Strengthening the ethics law covering local governments** to prohibit municipal officers and employees from acting in certain matters in which they or their relatives have an interest and to require local codes of ethics to include standards addressing nepotism, among other things. (A.7477/S.5548).

More information about the Comptroller’s current legislative proposals is available on the OSC website at:

www.osc.state.ny.us/legislation/index.htm

Services and Resources

Audits and Oversight

The Division of Local Government and School Accountability helps to advance government reform and transparency throughout the State through its audit and technical assistance functions. Through these efforts, the Division is able to provide local officials and taxpayers with an independent analysis of their local governments' financial condition, as well as recommending ways to achieve cost savings and efficiencies, strategies for revenue enhancements and methods to improve controls over operations and assets.

354 The Division issued **354** audits of local governments, school districts and local public authorities in 2019.²¹

49 financial condition audits found ineffective budgeting practices, excessive fund balance, and inadequate policies, records and reports.

49

7 accountability audits identified nearly **\$625,000** of misappropriated local government assets.

591 property tax cap calculation reviews were conducted to help local governments comply with the tax cap law.

591

Our Audit Work

21 audits identified school districts that had retained excess or improper reserves.

36 identified school districts and local governments that had retained excess fund balance.

46 audits cited poor budgeting practices by school districts and local governments.

37 Information Technology (IT) security audits and **26** confidential IT letters revealed weaknesses potentially allowing for unauthorized access to confidential information, inappropriate use and/or exposure to ransomware threats.

74 accountability audits identified more than **\$13.3** million of misappropriated local government assets, recommended cost savings and revenue enhancement measures.

16 local governments and school districts exceeded their tax levy limits without a proper override.

Financial Condition Highlights

A school district overfunded several reserves by a total of \$30.5 million, causing its tax levies to be higher than necessary.

\$30.5 million
in overfunded
reserves

For three fiscal years, a school district improperly paid for cafeteria workers' health insurance expenditures of \$307,896 from the general fund, when they should have been

Improper Accounting

\$393,551
deficit

accounted in and paid from the cafeteria fund. Had these expenditures been paid from the cafeteria fund, it would have had a deficit fund balance of \$393,551.

A town board did not fully understand the effect of appropriating fund balance each year and, as a result, the town accumulated excessive balances of about \$1 million in its general fund and deficit fund balances of more than \$1.1 million in its highway funds. When combined, this created a deficit fund balance totaling \$165,826.

Inadequate Budgeting

\$165,826
deficit

Accountability Audit Highlights

A volunteer fire association did not adequately safeguard cash assets totaling \$426,719. Several officials used funds for questionable payments and debit card transactions, and fundraising money went unaccounted for. Although a previous CPA audit raised concerns over disbursements, officials did not take action.

\$426,719
misappropriation

A city did not adequately oversee the billing of emergency medical services (EMS). Because officials did not routinely reconcile medical services provided to amounts billed, the city did not receive revenues totaling \$425,906 for unbilled services and inaccurate billings.

\$425,906
in lost revenue

A regional planning board did not monitor loans totaling \$2.3 million. During the application process, officials did not ensure all required documentation was submitted by borrowers to determine whether loans should be approved. Also, after loan funds were disbursed, officials did not follow-up with borrowers to determine how loan funds were used or whether any jobs were created, and delinquent loans were not properly enforced.

\$2.3 million
in unmonitored loans

Statewide Audits and Regional Projects

The Division undertakes audits and projects involving several local governments in a region or statewide. In 2019, the Division audited 19 schools and examined whether they implemented district-wide school safety and emergency response plans. Other topics included determining whether seven local governments and school districts procured electricity and natural gas through aggregators in a cost-effective manner and whether town assessors properly administered real property tax exemptions.

19
incomplete
school safety
plans

Local Official Training

The Division provides a comprehensive array of training opportunities, including accounting schools, statewide and regional conferences, leadership institutes, workshops and webinars through The Academy for New York State's Local Officials. These programs allow Division staff to develop and maintain strong relationships with local officials across the State and to share critical knowledge that helps officials fulfill their responsibilities.

Research on Local Governments

The Division produces a wide range of research products that inform OSC's legislative policy agenda, help local officials understand the factors affecting the fiscal condition of their municipalities and school districts, and assist the public in accessing and understanding local government data.²²

In 2019, the Division published reports on a variety of topics, including:

- **Advanced technology in local governments**
- **Constitutional tax limit**
- **School safety**
- **Local government debt trends and practices**
- **The economy of the Long Island Region**
- **Housing foreclosure update**
- **Industrial development agencies**
- **Sales tax collection updates**
- **Fiscal Stress Monitoring System results.**

Division publications are available at:
www.osc.state.ny.us/localgov/researchpubs/index.htm

Training Highlights and Resources

In 2019, the Division conducted **120** training sessions for local officials and staff at statewide, regional and online events, with total attendance of over **8,000**.

Nearly
8,000
Attendees

120
Training
Sessions



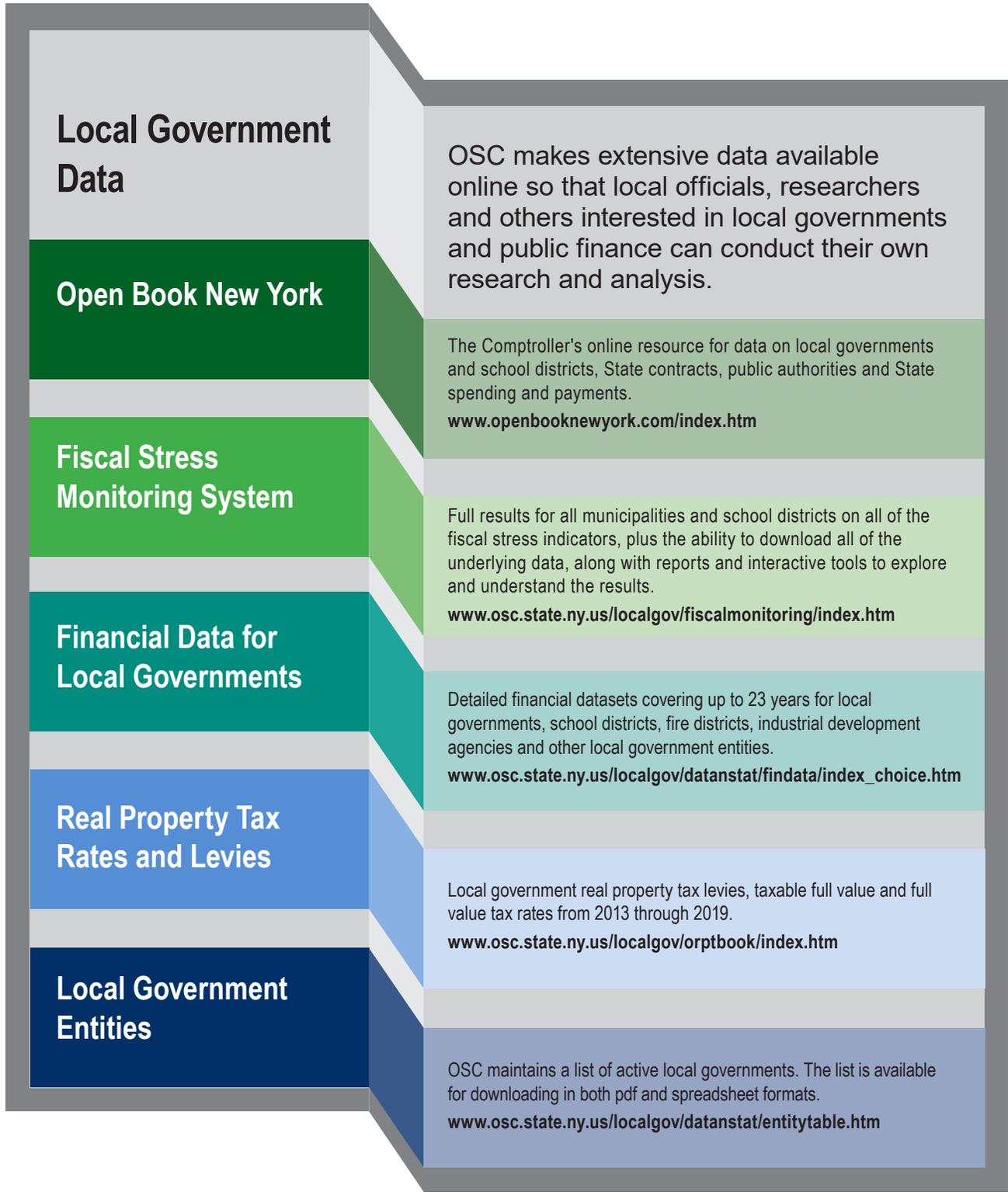
The Academy for New York State's Local Officials delivers a focused curriculum to help local officials carry out their duties. Local officials can search for training by both job role and topic. Previously recorded webinars, along with related presentation materials, can be accessed anytime. A calendar of upcoming events is also available:
www.osc.state.ny.us/localgov/academy/index.htm.

Justice Court Fund

The Division is custodian of the Justice Court Fund (JCF), established to account for the revenues from fines and penalties collected by the State's town and village justice courts, the Department of Motor Vehicles Administrative Adjudication Bureaus, and other parking and traffic fees assessed by certain local governments.²³

In SFY 2018-19, the JCF processed over 24,000 town and village justice court monthly reports and distributed approximately \$605 million in fines, fees, surcharges and forfeitures to local governments and the State, derived from the adjudication of motor vehicle, criminal, civil and other cases at the local government level.

More information is available about the Justice Court Fund on OSC's website:
<https://www.osc.state.ny.us/localgov/finreporting/jcef/index.htm>



Summary of Finances for Major Classes of New York State Local Government, Fiscal Year Ending in 2018

(Excluding New York City)

| (All dollar amounts in millions) | County | City | Town | Village | School District | Fire District | Total |
|---|-------------------|------------------|------------------|------------------|-------------------|----------------|-------------------|
| Population - Census Estimates | 11,143,461 | 2,196,825 | 8,911,247 | 1,880,719 | N/A | N/A | |
| Full Value of Real Property | \$1,215,030.6 | \$126,040.4 | \$1,090,400.3 | \$263,361.3 | \$1,230,593.8 | N/A | |
| Debt Issued: | | | | | | | |
| Bonds | \$1,172.8 | \$507.5 | \$1,006.5 | \$204.6 | \$2,292.0 | \$78.9 | \$5,262.3 |
| Other Debt | \$1,868.6 | \$427.7 | \$371.7 | \$221.9 | \$2,812.4 | \$34.2 | \$5,736.5 |
| Outstanding Debt: | | | | | | | |
| Bonds (Gross) | \$11,519.4 | \$3,112.6 | \$5,346.0 | \$1,951.2 | \$13,491.3 | \$434.1 | \$35,854.5 |
| Other Debt | \$1,862.6 | \$780.2 | \$781.0 | \$459.1 | \$3,629.8 | \$57.2 | \$7,569.9 |
| Total Outstanding Debt | \$13,382.0 | \$3,892.9 | \$6,127.0 | \$2,410.3 | \$17,121.1 | \$491.2 | \$43,424.4 |
| Revenues: | | | | | | | |
| Real Property Taxes & Other Real Property Tax Items | \$5,716.9 | \$1,259.0 | \$4,121.4 | \$1,392.0 | \$22,401.0 | \$784.7 | \$35,675.1 |
| Sales and Use Taxes | \$8,355.1 | \$918.0 | \$736.8 | \$171.0 | \$290.7 | N/A | \$10,471.5 |
| Charges for Services | \$2,382.4 | \$965.6 | \$1,070.5 | \$792.4 | \$366.1 | \$0.0 | \$5,577.1 |
| Other Local Taxes & Revenues | \$2,815.7 | \$595.9 | \$987.1 | \$281.1 | \$1,307.9 | \$48.6 | \$6,036.2 |
| Total Local Revenues | \$19,270.1 | \$3,738.4 | \$6,915.9 | \$2,636.5 | \$24,365.7 | \$833.3 | \$57,759.9 |
| State Aid | \$3,070.3 | \$864.6 | \$576.3 | \$166.0 | \$15,734.8 | \$3.1 | \$20,415.2 |
| Federal Aid | \$2,378.0 | \$250.9 | \$192.4 | \$66.6 | \$1,624.0 | \$4.7 | \$4,516.6 |
| Total State and Federal Revenues | \$5,448.3 | \$1,115.6 | \$768.7 | \$232.7 | \$17,358.9 | \$7.8 | \$24,931.9 |
| Total Revenues | \$24,718.4 | \$4,854.0 | \$7,684.6 | \$2,869.2 | \$41,724.6 | \$841.1 | \$82,691.8 |
| Expenditures: | | | | | | | |
| Personal Services | \$5,395.5 | \$1,797.8 | \$2,240.1 | \$903.5 | \$19,493.4 | \$159.8 | \$29,990.1 |
| Employee Benefits | \$3,715.3 | \$1,282.8 | \$1,370.2 | \$649.0 | \$9,025.9 | \$173.3 | \$16,116.5 |
| Contractual Items | \$13,243.1 | \$1,042.9 | \$2,596.9 | \$891.1 | \$9,123.2 | \$242.0 | \$27,139.3 |
| Total Current Operations | \$22,353.9 | \$4,123.5 | \$6,207.2 | \$2,343.6 | \$37,642.5 | \$575.1 | \$73,246.0 |
| Equipment and Capital Outlay | \$1,683.3 | \$618.9 | \$1,172.8 | \$500.2 | \$2,865.1 | \$225.4 | \$7,065.7 |
| Debt Service | | | | | | | |
| Principal | \$876.8 | \$305.1 | \$684.2 | \$187.8 | \$1,946.6 | \$45.7 | \$4,046.2 |
| Interest | \$485.8 | \$109.2 | \$167.6 | \$54.7 | \$602.6 | \$14.2 | \$1,434.0 |
| Total Expenditures | \$25,399.8 | \$5,156.7 | \$8,231.8 | \$3,086.3 | \$43,056.8 | \$860.5 | \$85,791.9 |

Sources: OSC and U.S. Census Bureau, 2018 Population Estimates.

Notes: Other real property tax items include payments in lieu of taxes (PILOTs) and school tax relief (STAR) subsidies. Other local taxes and revenues include charges to other governments, other non-property taxes, other local revenues and taxes on the use and sale of property.

Notes

- ¹ This report uses data reported by local governments to the Office of the State Comptroller (OSC) in the Division of Local Government and School Accountability. The data are from local government fiscal years ending in 2018 (FYE 2018), the latest available for all local governments. Data from prior fiscal years is used for comparative purposes. A small number of local governments did not file FYE 2018 annual financial reports in time for inclusion for this report. For most trend analyses in this report, FYE 2017 data was interpolated for the nonfiling entities.
- ² For more information about the real property tax cap, see OSC's Real Property Tax Cap and Tax Cap Compliance website at: www.osc.state.ny.us/localgov/realprop/index.htm; and the New York State Department of Taxation and Finance and New York State Department of State, Publication 1000, *The Property Tax Cap: Guidelines for Implementation*, October 2011, at: www.tax.ny.gov/pdf/publications/orpts/capguidelines.pdf.
- ³ For more information on the CTL, see www.osc.state.ny.us/localgov/finreporting/ctl.htm.
- ⁴ See OSC, *Hitting the Limit: The Constitutional Tax Limit and its Implications for Local Governments*, August 2019, at: www.osc.state.ny.us/localgov/pubs/research/ctl-implications-for-local-governments.pdf.
- ⁵ Sales and use tax collection data are from the AS570 reports produced by the New York State Department of Taxation and Finance. These figures will not exactly match the sales tax revenue data used elsewhere in the report since sales tax collections reported on the AS570 are different from sales tax revenue reported by local governments. Also, see OSC, *Growth in Local Sales Tax Collections Remains Strong in 2019 Due to Robust Second Half*, February 2020, at: www.osc.state.ny.us/localgov/pubs/research/growth-in-local-sales-tax-collections-second-half-2019.pdf.
- ⁶ Expenditures typically exceed revenues for local governments due to the way in which financial reports account for debt proceeds.
- ⁷ See OSC, *Accounting and Reporting Manual*, January 2011, at: www.osc.state.ny.us/localgov/pubs/arm.pdf.
- ⁸ "Other" local governments includes cities, towns, villages and fire districts.
- ⁹ See OSC, *Local Government Debt Trends and Practices in New York State*, November 2019, at www.osc.state.ny.us/localgov/pubs/research/local-government-debt-trends-practices-nys.pdf.
- ¹⁰ Short-term debt in this report refers to revenue anticipation notes, tax anticipation notes, budget notes and deficiency notes.
- ¹¹ Local governments with outstanding deficit-financing bonds in 2018 included the County of Rockland, City of Lockport, City of Long Beach, City of Newburgh, City of Olean, City of Yonkers, Town of East Hampton and Village of Suffern.
- ¹² Chapter 531 of the Laws of 2019.
- ¹³ OSC, *Fiscal Stress Monitoring System: Local Government and School Districts fiscal years ending in 2017 and 2018*, available at: www.osc.state.ny.us/localgov/fiscalmonitoring/lists.htm.

Notes

- ¹⁴ OSC made changes to enhance FSMS for the FYE 2017 scores, so those scores are not comparable to the scores for prior years. For more information about the specific changes, visit: www.osc.state.ny.us/localgov/fiscalmonitoring/help.htm.
- ¹⁵ New York State Department of Financial Services, “DFS Announces 2020 Premium Rates: Lowers Overall Requested Rates for Individuals and Small Businesses to Protect Consumers and Fuel a Competitive Health Insurance Marketplace,” Press Release, August 9, 2019, at: www.dfs.ny.gov/reports_and_publications/press_releases/pr1908091.
- ¹⁶ OSC, “State Pension Employer Contribution Rates Announced for 2020-21, Assumed Rate of Return Lowered,” Press Release, August 29, 2019, at: www.osc.state.ny.us/press/releases/aug19/082919.htm.
- ¹⁷ The SFY 2019-20 Enacted State Budget now requires OSC to withhold certain county sales tax revenues and make payments to the impacted towns and villages in the amounts that they had previously received through AIM in SFY 2018-19 as “AIM-Related” payments. For more information on AIM and AIM-Related payments, see OSC’s *Aid and Incentives for Municipalities (AIM) and AIM-Related Payments* at: www.osc.state.ny.us/localgov/datanstat/stateaid/index.htm; and OSC, *Report on State Fiscal Year 2019-20 Enacted Budget*, April 2019, at: www.osc.state.ny.us/reports/budget/2019/enacted-budget-report-2019-20.pdf.
- ¹⁸ See OSC, *Smart Solutions Across the State: Advanced Technology in Local Governments*, September 2019, at: www.osc.state.ny.us/localgov/pubs/research/smart-solutions-across-the-state.pdf
- ¹⁹ See OSC, *Shared Services Among New York’s Local Governments: Best Practices and Tips for Success*, November 2009, at: www.osc.state.ny.us/localgov/pubs/research/sharedservices.pdf
OSC, *Local Government Managing Guide: Shared Services in Local Government*, December 2009, at: www.osc.state.ny.us/localgov/pubs/lgmg/sharedservices.pdf
OSC, A “How to” Guide to Shared Services and Cooperation, October 17, 2018, presentation accessible at: www.osc.state.ny.us/localgov/academy/pdf/shared-services-101718.pdf and webinar available to view on demand by accessing the “Previous Webinars” page accessible at: www1.osc.state.ny.us/localgov/academy/webinars/index.cfm.
- ²⁰ For a list of required statutory reports, see Public Authorities Law Section 2800(2).
- ²¹ All numbers as of December 31, 2019. To access OSC’s local government audits, see: www.osc.state.ny.us/localgov/audits/index.htm.
- ²² For OSC’s local government research reports, see: www.osc.state.ny.us/localgov/pubs/listresearch2.htm.
- ²³ This includes the Nassau County and Suffolk County Traffic and Parking Violations Agencies, the Buffalo and Rochester Traffic Violations Agencies, and parking surcharges collected by New York City.

Contacts

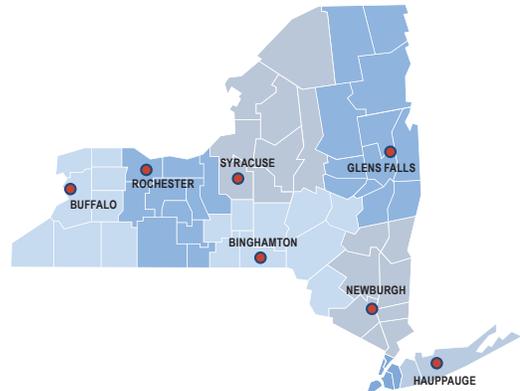


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