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LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

LOCAL GOVERNMENT ISSUES IN FOCUS

Layers of Debt: Trends and Implications for New York's Local Governments

Summary of Findings

- **Growth in Local Government Debt Exceeds Growth in Revenues.** Between 1995 and 2005, total outstanding debt for all classes of local government in New York State (excluding New York City) grew at a faster rate than the revenues available to repay that debt. During this time period, total outstanding debt increased by 94 percent, from $16.9 billion to $32.8 billion while revenues grew by 54 percent.
- **Increasing Debt Impacts Operating Budgets and Limits Financial Flexibility.** The growing impact on operating budgets produced by these debt trends is considerable. Expenditures for debt service across all classes of local governments increased by about 60 percent between 1995 and 2005, from $2.4 billion to $3.9 billion, an average annual increase of 4.7 percent. About $800 million of this $1.4 billion increase is attributable to school districts where debt service expenditures increased at an average annual rate of 7.4 percent.
- **New York's Standing on Debt Affordability Measures is Deteriorating.** The level of outstanding debt is becoming a growing financial burden for taxpayers, particularly upstate. Between 2000 and 2005, taxpayers residing in all but two New York county regions saw increases in overall outstanding debt per capita, two thirds of all county regions experienced an increase in overall outstanding debt as a percentage of real property value, and three-quarters of county regions saw their ratios of overall outstanding debt to personal income increase.
- **The Most Dramatic Increases in Debt Occurred in School Districts.** Total outstanding debt for school districts more than tripled from $4.2 billion to $15.6 billion. These increases were largely driven by State reimbursement formulas that encourage schools to borrow for capital projects and stretch out debt. As a result, school districts' share of the outstanding total local government debt has nearly doubled, from 25 percent issued in 1995 to 47 percent issued in 2005.
- **Village Debt Also Increased Significantly.** Village debt doubled during this period, rising from $800 million to $1.7 billion. Village debt increases are the result of growing infrastructure replacement demands, particularly for water and sewer systems.
- **Debt is Increasingly Being Utilized for Non-Capital Purposes.** Local governments are increasingly utilizing debt for non-capital purposes. Since 1994, the State Legislature has authorized 36 bond issuances to finance operating deficits totaling $296 million. Debt has also been used to cover large property tax certiorari payments and generate one-shot revenue by "securitizing" tobacco settlement payments.
- **Debt is Not a Cost-Free Option.** Debt imposes long-term obligations that, over time, can consume larger shares of operating resources. Local governments should adopt comprehensive debt management policies to help monitor their growing debt burdens and ensure that the issuance of new debt is prudent and affordable.
- **State Policies that Encourage Debt Should be Re-examined.** At the State level, the school building aid formula and other aid programs that encourage the overuse of debt need to be re-evaluated. Debt impacts taxpayers whether paid for by the State or local governments. Additionally, policy makers should study and assess the effectiveness of constitutionally established debt limits in controlling a local government's reliance on debt.

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Executive Summary

New York State and its local governments maintain an extensive infrastructure critical to the economy, including roads, bridges, educational facilities, water and sewer systems and medical facilities. Most of this capital investment is financed through the issuance of long term debt. Investment in such infrastructure maintains and improves the vitality and economic well being of our communities. However, when governments rely excessively on debt, especially to pay for current operating costs, the long term costs of supporting the debt will impact current as well as future operating budgets by limiting financial flexibility and the ability to finance essential capital projects in the future.

Discussion of appropriate levels of debt and appropriate uses of debt in New York has traditionally focused on the amount and type of debt issued by New York State and its public authorities. Yet, the same taxpayer paying for the costs of State debt is also paying the costs of local debt. Therefore, the amount of debt issued by local governments impacts the ability of the State's revenue structure to support additional debt without negative impacts on funding for current programs or on State and local taxes.

Over the ten year period 1995 through 2005, total outstanding debt for all levels of local government in the State (excluding New York City) increased by 94 percent, from $16.9 billion to $32.8 billion. In contrast, revenues accruing to local governments, whether tax or fee revenue, grew by only 54 percent over the same time period.

This doubling of the amount of debt outstanding over this ten year time frame has increased debt service payments made by local governments by 60 percent. Local government debt service costs totaled $3.9 billion in 2005, an increase of $1.4 billion, of which approximately $800 million is attributable to local debt issued to finance school capital projects.

This significant increase in debt service costs for school districts is driven by a 266 percent increase in the amount of debt issued by school districts between 1995 and 2005. Over this period of time, debt for school related construction projects increased from $4.2 billion to $15.6 billion. Much of this debt will be paid by the State through the State's building aid formula, supported in turn by the State's taxpayers. As a result, school districts' share of local debt outstanding has nearly doubled, from 25 percent in 1995 to 47 percent in 2005.

In addition to debt issued by school districts, debt issued by villages has also increased significantly over the ten year period examined. Village debt has more than doubled between 1995 and 2005, increasing from $800 million to $1.7 billion.

Local governments are also utilizing debt for non-capital purposes. Since 1994, the State Legislature has authorized 36 bond issuances to finance operating deficits totaling $296 million. Debt has also been used to cover large property tax certiorari payments and to provide a one time revenue stream through the securitization of multiyear tobacco payments.

Background

Governments within New York have historically maintained some of the highest overall debt burdens in the nation. As illustrated in the table to the right, according to 2005 U.S. Census statistics, only Alaska and Massachusetts have higher overall per capita debt burdens than New York. Local government debt has increasingly comprised a more substantial portion of this burden.

Well managed debt is integral to the financial health of local governments and to the economic prosperity of the communities they serve. The issuance of debt allows localities to provide capital infrastructure that is vital to economic development. For example, local commerce relies on roads for the efficient transportation of goods, and local industry relies on successful schools to provide an educated, competent workforce. However, if governments rely excessively on debt, their fiscal health can deteriorate.

In New York, each class of local government has somewhat distinct capital improvement responsibilities. For example, in 2005, counties (excluding New York City) committed over $95 million in debt to the construction or rehabilitation of courts and correctional facilities. Additionally, counties were the only class of local government to issue debt for medical facilities and airports.

Cities, villages and towns typically use debt for roads, water and sewer systems, and public buildings. In addition, debt has been issued for educational facilities in cities with dependent school districts (Buffalo, Rochester, Syracuse and Yonkers).

Local governments in New York occasionally issue debt for purposes that are usually financed with cash, such as vehicles, computer systems and other equipment. When local governments substitute debt for cash financing, it may signify growing fiscal stress. Local governments have also utilized debt for purposes such as deficit financing or tax certiorari payments. Deficit financing remains a relatively infrequent practice, but it has become more common in recent years – a clear sign of fiscal stress. Since 1994, the State Legislature has authorized 36 bond issuances, totaling $296 million.

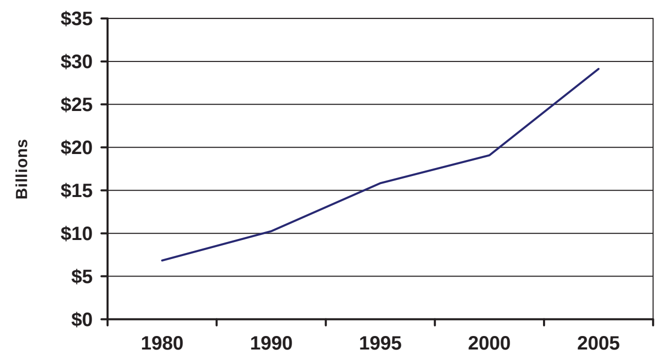
State and Local Government and Public Authority Total Outstanding Debt Per Capita (2005 Census Data)

Alaska	$13,970
Massachusetts	$12,284
New York	$12,283
Nevada	$9,255
Connecticut	$9,117
Colorado	$9,092
Washington	$9,000
New Jersey	$8,663
California	$8,376
Illinois	$8,349
Rhode Island	$8,298
Pennsylvania	$8,191
Delaware	$7,947
Hawaii	$7,670
Oregon	$7,557
New Hampshire	$7,519
Kentucky	$7,471
South Carolina	$7,457
Minnesota	$7,371
Texas	$7,223
Florida	$6,927
Michigan	$6,924
Wisconsin	$6,884
Utah	$6,641
Kansas	$6,529
Arizona	$6,399
Virginia	$6,292
Vermont	$5,979
New Mexico	$5,741
Montana	$5,650
Missouri	$5,600
Louisiana	$5,539
Maine	$5,461
Ohio	$5,342
Maryland	$5,278
North Dakota	$5,161
South Dakota	$5,087
North Carolina	$5,082
Alabama	$5,067
Indiana	$5,020
Nebraska	$5,000
West Virginia	$4,664
Georgia	$4,632
Tennessee	$4,495
Arkansas	$4,190
Oklahoma	$4,177
Iowa	$3,981
Wyoming	$3,846
Mississippi	$3,582
Idaho	$3,075

*For differences in per capita statistics see page 26

Long-term trends in outstanding bonded indebtedness reflect increased use of debt over time; bonded debt outstanding has risen from over $6 billion in 1980 to almost $30 billion in 2005. As shown in the chart, the pace of bonded debt issuance has accelerated over the last five years. Indeed, the growth from 1995 to 2000 is 3.8 percent on an average annual basis versus 8.8 percent from 2000 to 2005.

Outstanding Bonded Debt of New York's Localities
(Excluding New York City)



Source: 2006 New York State Annual Information Statement

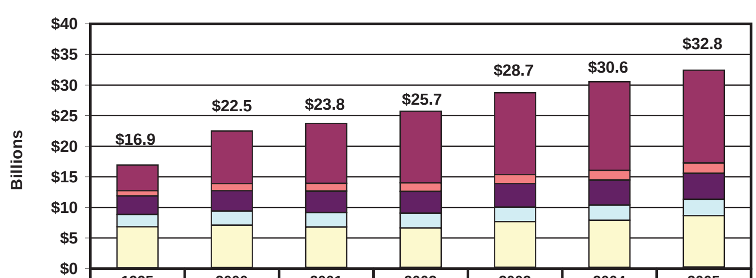
Local Government Debt in New York State

Between 1995 and 2005, total outstanding debt for all classes of local government in New York State (excluding New York City) grew at a faster rate than the revenues available to repay that debt. During this time period, total outstanding debt increased by 94 percent, from $16.9 billion to $32.8 billion[1] (an average annual increase of 6.8 percent) while revenues grew by 54 percent (an average annual increase of 4.4 percent). Between 2000 and 2005, total debt for all classes of local government increased by 46 percent (from $22.5 billion to $32.8 billion), or an average annual rate of 7.9 percent. The following chart illustrates the increase in total outstanding debt by each class of government.

Statewide Trends

The most dramatic increases in debt between 1995 and 2005 occurred in school districts and villages. Total outstanding debt for school districts more than tripled, from $4.2 billion to $15.6 billion, and doubled for villages, from $0.8 billion to $1.7 billion. School districts comprised 47 percent of the total local government outstanding debt in 2005, up from 25 percent in 1995.

Total Outstanding Debt by Class
(Excluding New York City)



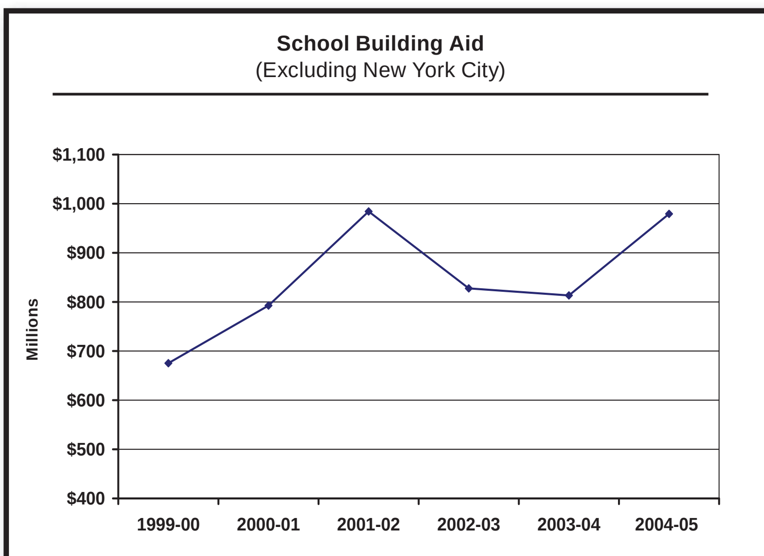
	1995	2000	2001	2002	2003	2004	2005
School Districts	$4.2	$8.6	$9.8	$11.7	$13.4	$14.5	$15.6
Villages	$0.8	$1.2	$1.3	$1.4	$1.5	$1.6	$1.7
Towns	$3.0	$3.3	$3.5	$3.6	$3.8	$4.1	$4.3
Cities	$2.0	$2.3	$2.4	$2.4	$2.4	$2.5	$2.7
Counties	$6.7	$6.9	$6.6	$6.4	$7.5	$7.7	$8.4
Fire Districts	$0.1	$0.2	$0.2	$0.2	$0.2	$0.2	$0.3

*Totals may not add due to rounding

Change in Total Outstanding Debt by Class (Excluding New York City)	Total Percent Change (1995-2005)	Total Percent Change (2000-2005)	Average Annual Percent Change (1995-2005)	Average Annual Percent Change (2000-2005)
School Districts	266%	81%	14%	13%
Villages	99%	44%	7%	8%
Towns	41%	28%	3%	5%
Cities	33%	16%	3%	3%
Counties	26%	21%	2%	4%
Fire Districts	94%	50%	7%	9%
Total All Classes	**94%**	**46%**	**7%**	**8%**

School Districts

Between 2000 and 2005, total outstanding debt for school districts increased by 81 percent, an average annual increase of 12.6 percent. This growth is largely the result of changes in State building aid formulas. In 1998-99, the State increased its share of funding for approved school capital projects by 10 percentage points (capped at 95 percent) and began to recognize higher construction costs in different areas of the State by applying regional cost adjustments to approved project costs. These changes stimulated a surge of new construction activity. A favorable interest rate environment, aging infrastructure and a heightened demand for capital improvement projects in suburban areas also contributed to the increase.



In 2001-02, as a budget balancing action, the State also changed the formula that is used to calculate a school district's annual building aid to smooth out the State's annual payout of this funding and to tie the payment schedule to the useful lives of school district capital improvements. Whereas building aid used to be based on actual debt service payments, beginning in 2002-03, State payments were calculated using an assumed rate of amortization. Under the revised formula, school districts receive building aid for terms of 15, 20 or 30 years for reconstruction, additions and new buildings (respectively), regardless of how each project is actually financed. Previously, the State shared in the approved costs of capital projects in accordance with the financing mechanisms chosen by individual school districts. For example, if a school district paid for capital improvements with cash, the State also paid its share with cash. This practice resulted in significant fluctuations in cash outlays by the State from year to year, depending on local funding decisions.

Under the revised formula, school districts now receive building aid assuming that local bonds have been issued commensurate with the useful life of capital improvements, regardless of the actual local financing decision. As a result, school districts have an incentive to issue debt instead of using pay-as-you-go or short-term financing. This change also created an incentive for school districts to issue longer-term debt, and to refund and stretch out existing debt. As a result, the overall cost to State and local taxpayers increases as debt is stretched out, and the debt capacity for school districts to finance new capital projects decreases as principal is not retired as rapidly. While the State covers a large portion of the approved costs for school construction under building aid, ultimately taxpayers must pay for the costs related to this school construction boom, through taxes levied either at the local or the State level. Moreover, the debt that is issued is still local debt and its repayment is ultimately the responsibility of the school district—even if aid formulas are modified, as school districts are painfully aware.

Other Classes of Local Government

Total outstanding debt has increased for all other classes of government as well. The increase in total outstanding debt for villages is especially noticeable – 99 percent from 1995 to 2005. This increase is largely the result of replacing aging infrastructure, particularly for water and sewer systems.

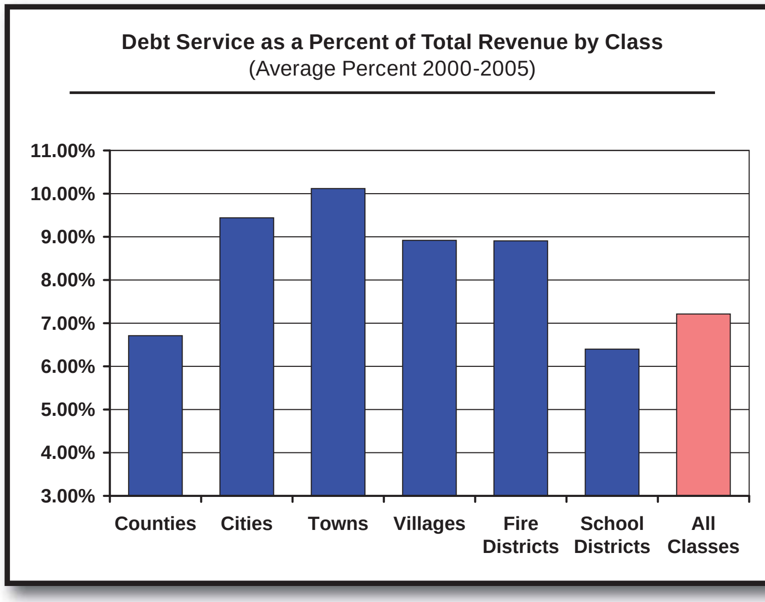
During the same ten-year period, the growth in debt levels was more moderate for other classes of local government. Total outstanding debt increased over 40 percent for towns, at an average annual rate of 3.5 percent, and 33 percent for cities, at an average annual rate of 2.9 percent. County debt increased 26 percent during the same period, or 2.3 percent annually. The comparatively slower rate of growth in county debt may be explained in part by the fact that some counties have been able to pay down existing debt using the proceeds of tobacco settlement securitizations.

Tobacco Settlement Payments to New York Counties

In 1998, the major tobacco companies entered into a settlement agreement with 46 states, including New York, which settled certain smoking-related litigation in exchange for periodic payments from the companies, advertising restrictions and funds for smoking cessation education. New York's agreement also provided for the distribution of a portion of the settlement funds to the State's counties and New York City since they too paid a share of the increased health costs associated with smoking, particularly in the Medicaid program.

Some governments chose to "securitize" these payments by assigning them to a separate bonding entity to generate a large, one-time revenue source for capital or operating purposes. The Comptroller's Office subsequently recommended that local governments dedicate tobacco securitization revenues to capital needs or to pay down existing debt.

Debt Affordability

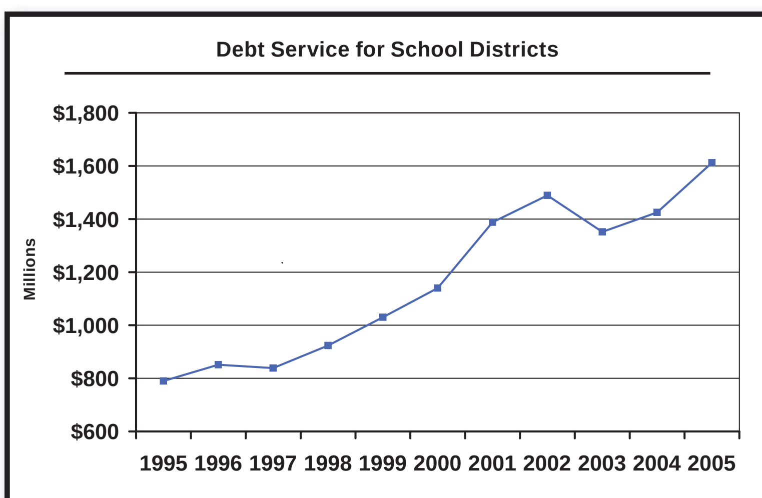


Debt affordability is a measure of a local government's ability to repay its debt and still meet its current and future capital, operating and other needs. Since debt is essentially a fixed cost, debt affordability depends on the long-term fiscal health of the locality.

A debt affordability analysis is based on measures of debt burden that allow local governments to evaluate their ability to finance capital needs. In order to capture the total debt burden borne by the taxpayers of a particular region, a comprehensive debt analysis should be based on debt burdens that capture total debt, regardless of which local government within that region issued the debt.

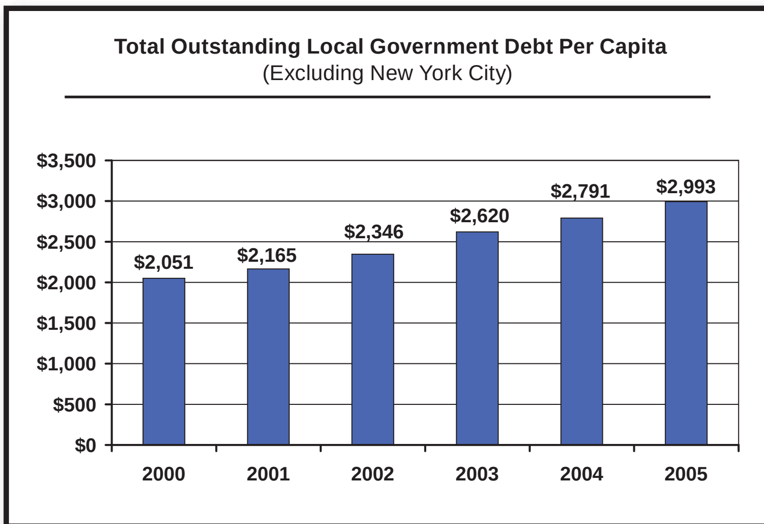
The analysis in this report calculates overall debt levels by adding together debt issued by counties, cities, towns, villages, fire districts and school districts within the geographic area of each county. The values used are those that local government entities reported to the Office of the State Comptroller and do not include debt issued by other entities, such as industrial development agencies and local development corporations which local governments can be expected to repay. These totals include bonds and bond anticipation notes, but do not include revenue anticipation notes, tax anticipation notes, budget notes and school lottery advances, as these items are generally considered short term debt issued for cash flow purposes which are repaid upon the receipt of other revenues.

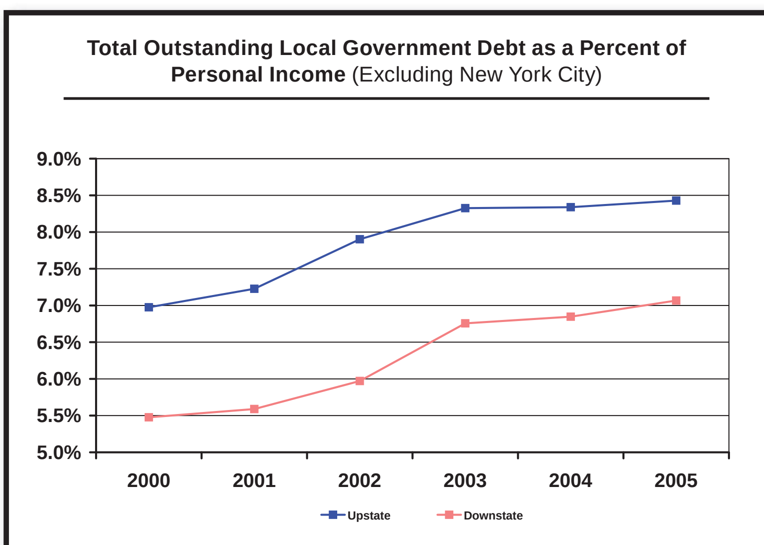
Debt Service as a Percent of Total Revenue



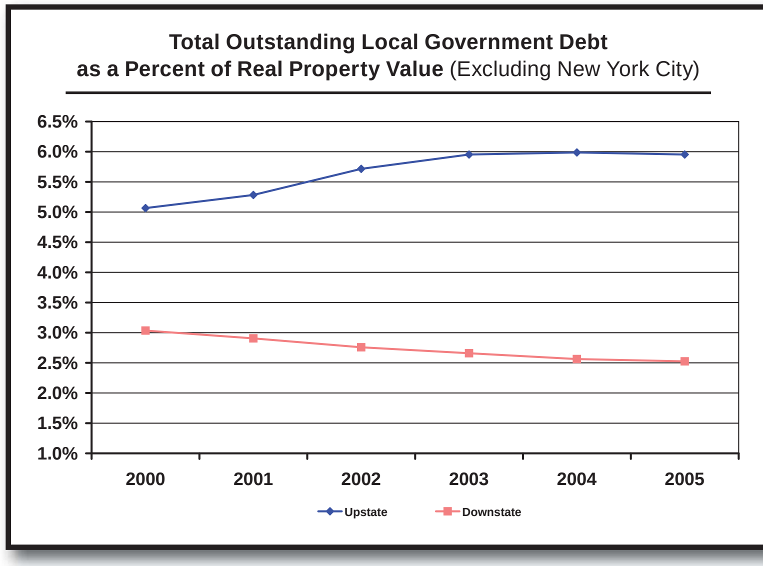
Unlike measures based on total debt outstanding, debt service as a percent of total revenue is a direct reflection of a local government's financial capacity.[2] Debt service payments are generally fixed costs in the sense that once debt is issued, principal and interest must be paid annually over the life of the bonds. The size of a local government's debt service obligations compared to its revenue base is a useful indicator of whether the locality can meet these existing debt obligations and still afford to take on additional debt without crowding out other operational needs.[3] Between 2000 and 2005, towns and cities had the highest average debt service ratios among the classes of local government, at 10.1 percent and 9.4 percent, respectively. It is important to recognize that refundings and changes in debt retirement schedules can lead to significant variance in annual debt service ratios.

School districts have demonstrated the most noticeable increases in total debt service. Total debt service expenditures for all local governments increased by 58 percent, from $2.4 billion to $3.9 billion, an average annual increase of 4.7 percent between 1995 and 2005. Fifty-eight percent of this $1.4 billion increase is attributable to school districts, where debt service expenditures increased at an average annual rate of 7.4 percent.





The increase in school district debt service is largely attributable to the increase in construction encouraged by State reimbursement enhancements, and the changes in the State building aid formula which had the effect of school districts stretching out existing debt. Since the change in the building aid formula in 2001, total debt service has increased rapidly. The rate of growth in debt service payments for other classes of government was more moderate, ranging from almost 2.2 percent for cities on an average annual basis to 4.2 percent for villages.



Outstanding Debt Ratios

Debt per capita is a commonly used measure of affordability because it allows an easy comparison across local governments; however, it does not capture the ability of the local government to repay debt. Typically then, it is combined with a ratio that captures the relative wealth of a locality. Since the property tax has historically been the primary source of revenue for local governments, debt as a percent of real property values is a commonly used measure. The State Constitution explicitly makes this link through debt limits, which are calculated based on a percent of five-year average of full valuation. Similarly, local debt as a percent of personal income can help gauge a local government's fiscal capacity to repay debt.[4]

The use of both personal income and real property value measures is helpful because a single measure may not accurately depict a local government's debt burden. New York City illustrates this point: the City has exhausted over 80 percent of its constitutional debt limit, yet it has other significant resources such as the personal income tax to meet its debt obligations. In certain regions, growth in real property value may indicate an inflated housing market, thus overstating taxpayers' ability to repay debt if personal income has not kept pace.

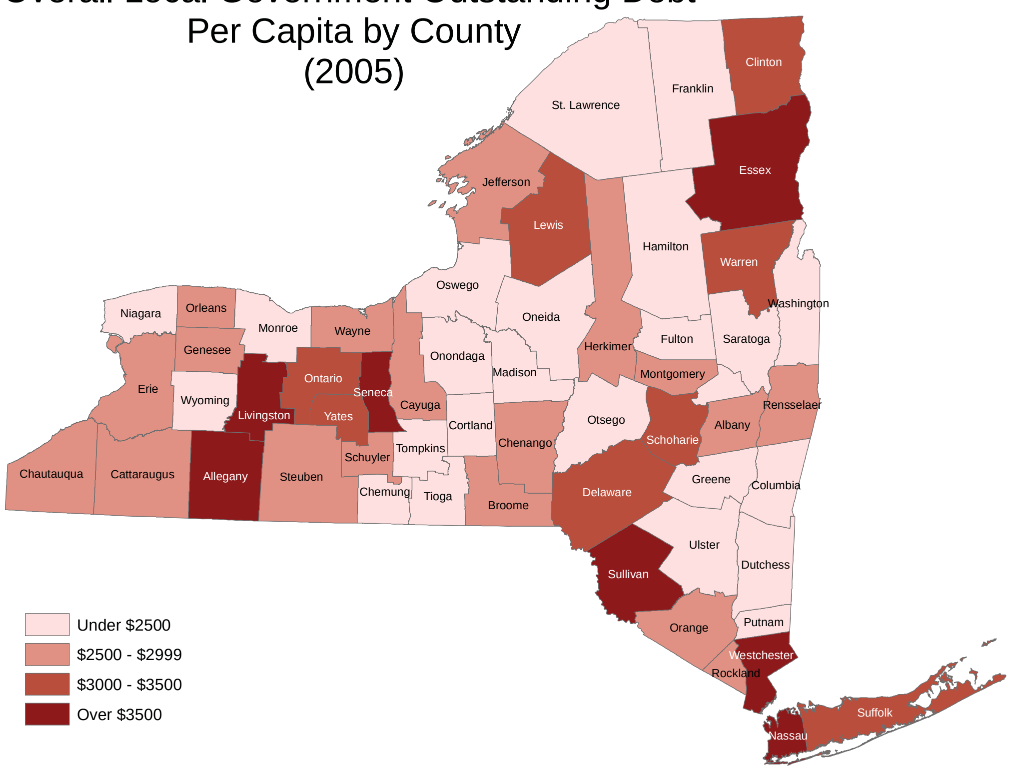
The analysis contained in this report indicates that, by every measure, the level of outstanding debt is becoming a growing financial burden for taxpayers. From 2000 to 2005, taxpayers residing in all but two New York county regions saw increases in overall outstanding debt per capita. Two-thirds of all county regions experienced an increase in total overall outstanding debt as a percent of real property value, and three-quarters saw the ratio of total overall outstanding debt to personal income increase.

Overall Debt Per Capita

Between 2000 and 2005, per capita debt outstanding for local governments (excluding New York City) increased by 46 percent, from $2,051 to $2,993. This compares to $8,134 for New York City's per capita debt burden. When the debt for local governments is combined with total outstanding State-funded debt, the debt burden for each New Yorker (outside New York City) in 2005 was $5,536. The combined State and local per capita debt burden for each New York City resident in 2005 was $10,677.

The level of overall debt per capita varies widely for taxpayers residing in different regions of the State. Seven county regions had overall debt burdens greater than $3,500 per capita in 2005. This is a function of two factors: rising debt levels and, in some cases, continued population losses. These regions include Allegany, Essex, Livingston, Nassau, Seneca, Sullivan and Westchester.

Overall Local Government Outstanding Debt
Per Capita by County
(2005)

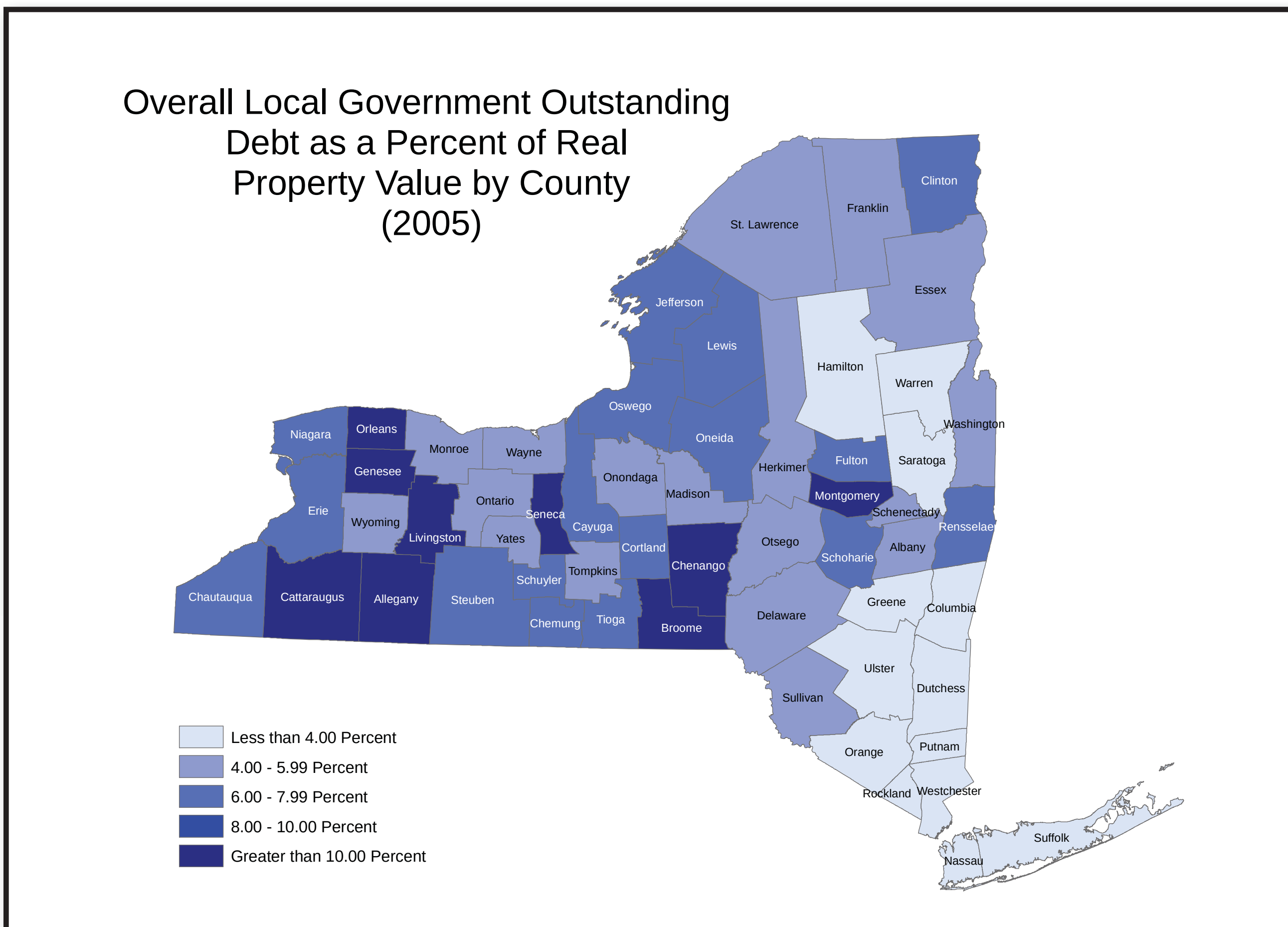


Overall Outstanding Debt as a Percent of Real Property Value

Taxpayers residing in two-thirds of county regions (outside New York City) experienced an increase in total local government debt outstanding as a percent of real property value. New York is a relatively wealthy state. Since 2000, personal income and property values statewide have increased significantly. However, there is a noticeable difference in property values between upstate and downstate.

While total outstanding debt for upstate and downstate regions grew at roughly the same pace from 2000 to 2005, property value growth was stronger downstate than it was upstate. As a result, upstate regions have higher debt to property value ratios while increases in this measure for downstate regions have been mitigated by real property growth.

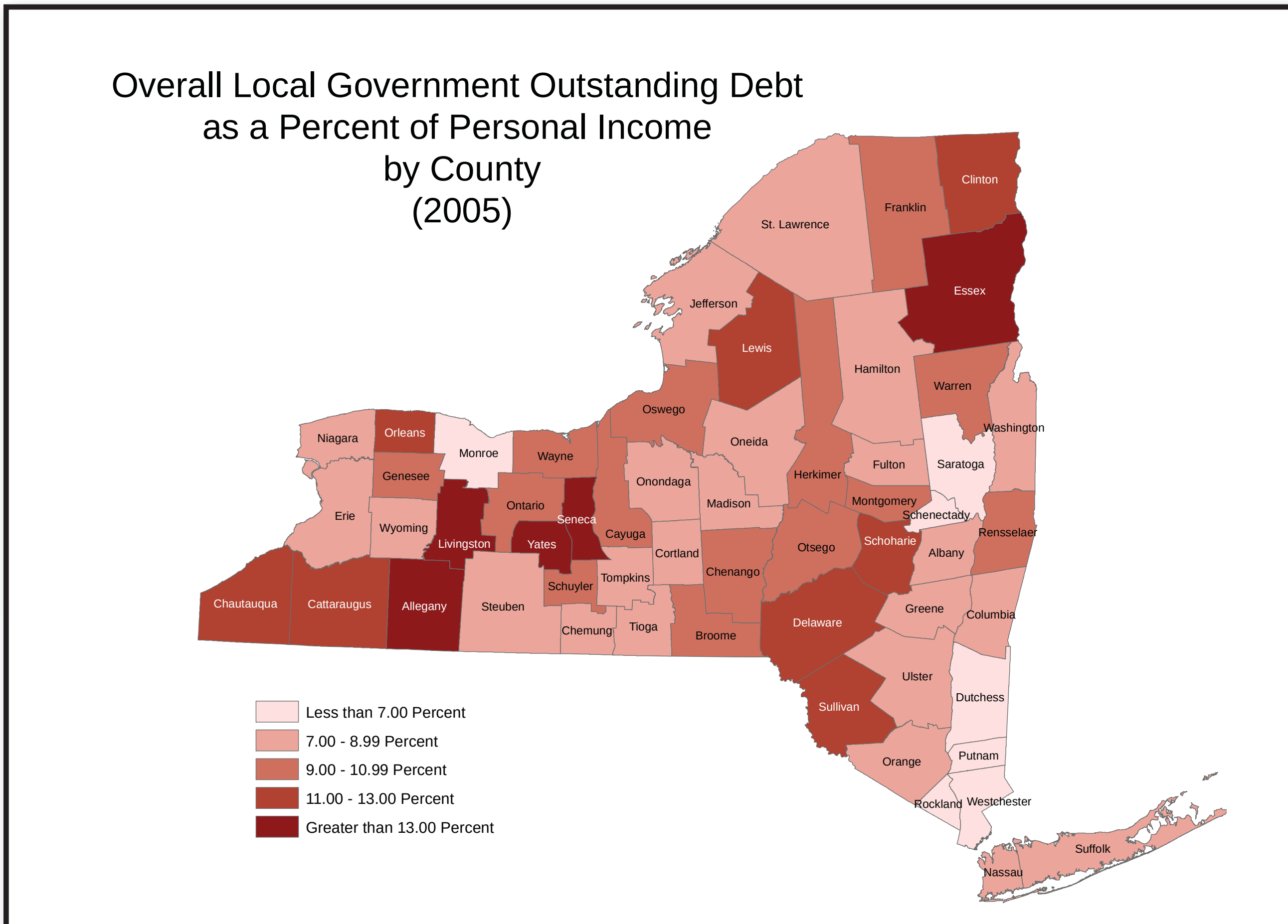
Statewide, total overall debt for all local governments relative to real property value increased from 3.2 percent in 1995 to 3.5 percent in 2005. However, in 29 of 57 counties, the ratio of overall debt to real property value exceeded the statewide average in 2005. In twenty-six counties, overall outstanding debt as a percentage of real property value exceeded 6 percent, and in nine county regions, the ratio exceeded 8 percent. The majority of these are located in Western New York: Allegany, Livingston, Orleans, Genesee and Cattaraugus counties.



Overall Outstanding Debt as a Percent of Personal Income

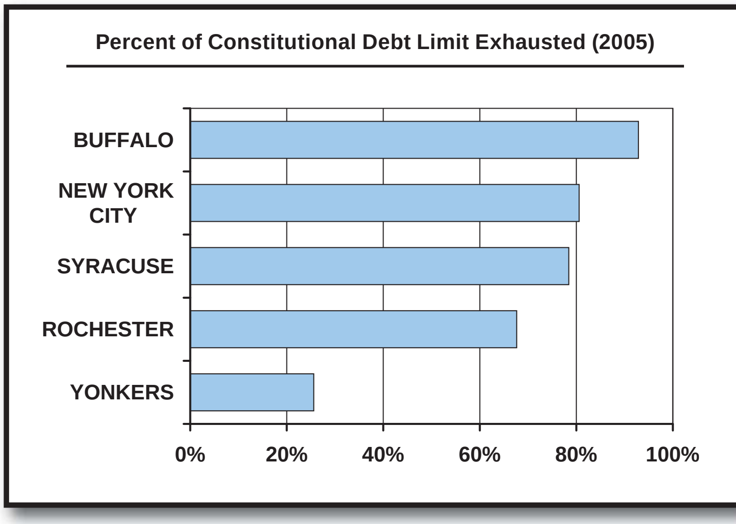
Similar to overall debt as a percent of real property value, the ratio of overall debt to personal income has also increased since 2000. Although a disparity exists between downstate and upstate regions, the difference is not pronounced. Nearly equal growth in personal income for both regions contributed to this trend. Between 2000 and 2005, the mean value for overall outstanding debt as a percent of personal income by county increased from 7.5 percent to 9.4 percent. The map below presents this ratio for 2005. Governments within 13 counties had an overall outstanding debt to personal income ratio that exceeded 11 percent and five exceeded 13 percent.

Upstate county regions had the highest overall debt burdens relative to local personal income, especially those in the Finger Lakes and Western regions of the State. Sullivan is the only downstate county that was above 11 percent in 2005. Sullivan has seen property values rise, but growth in personal income has not kept pace.



Constitutional and Statutory Local Government Debt Provisions

New York State has a codified set of debt policies. This overarching framework is intended to help protect against irresponsible or mismanaged debt issuance, and to limit taxpayer debt burdens. The New York State Constitution sets debt limits for most classes of local government, and establishes numerous other conditions related to the issuance and repayment of debt. Constitutional limits were put in place to avert an overdependence on debt by local governments.[5]



In addition, the Local Finance Law (LFL) regulates the issuance of debt by local governments. Under the LFL, a local government must authorize debt through a resolution of its local finance board, which may also be its local governing board. In certain situations, a bond issue may require voter approval. Furthermore, a local government must comply with certain regulations and statutory provisions for the private or public sale of its debt. Other provisions set limits on the use of bond proceeds, refunding protocols, and the maximum number of years that certain projects, goods or services can be debt-financed based upon probable useful life.

The following table displays the constitutional debt limits of New York's local governments.[6]

Constitutional and Statutory Debt Limits

Type of Entity	Percent of Average Full Value of Taxable Real Estate
Counties (Excluding Nassau)	7%
Nassau County	10%
Cities with a Population Greater than or Equal to 125,000 (Excluding NYC)	9%
Cities with a Population Less than 125,000	7%
New York City	10%
Towns	7%
Villages	7%
School Districts (Small City)	5%
School Districts (Non-City)	10%

While these limits help serve as an important component of an effective debt management policy, they do not represent a hard cap on all local government debt. For example, the Constitution permits local governments to exclude certain types of debt from the debt limit calculations, including water and under certain circumstances, sewer infrastructure improvements. By allowing these exclusions, a local government's gross debt burden – the burden financed through taxes and fees of its residents – may be understated. A few extreme cases illustrate this point. In 2005, the City of Jamestown reported outstanding debt of $45.8 million, or about 107 percent of its constitutional debt limit, but after adjustments for permissible exclusions, the City had exhausted 0 percent of its constitutional debt limit. Similarly, the Village of Antwerp in Jefferson County had gross outstanding debt equal to 146 percent of its constitutional debt limit, but after exclusions reported 0 percent of its debt limit exhausted. Both of these cases demonstrate that, by themselves, the current constitutional limits are ineffective in preventing an over reliance on debt. Ultimately, the taxpayer is still burdened by total debt, whether excludable or not, and will be responsible for its repayment.

Constitutional debt limits have a much greater impact on cities with dependent school districts. Debt issued by New York City and the Big Four cities (Buffalo, Rochester, Syracuse and Yonkers) for educational purposes is chargeable to the respective city's constitutional debt limit. Furthermore, most non-city school districts, which have statutory rather than constitutional debt limits, have the ability to exclude debt funded by State Building Aid. Consequently, New York City and three of the Big Four have exhausted a much higher percentage of their debt limits than other cities in the State (Yonkers is the exception). These cities have had to seek alternative ways to finance reconstruction of educational facilities while complying with their constitutional debt limits. Buffalo and Syracuse have received State authorization to create Joint Schools Construction Boards (JSCBs), and legislation was enacted in 2007 creating a JSCB in Rochester. JSCBs are capital construction entities of the cities and their respective school districts that have been granted the authority, by special act, to finance the renovation of school buildings through either local industrial development agencies (IDAs) or the State Municipal Bond Bank Agency (MBBA). The Buffalo JSCB is authorized to secure financing totaling $1 billion over 10 years, the Syracuse JSCB is authorized to secure financing up to $225 million for the first phase of its capital construction project (with expected total issuance of up to $926 million) and the Rochester JSCB is authorized to secure financing of up to $325 million (no provisions are made for additional phases in the legislation). If this debt is issued by the IDA or MBBA, it will not be counted against their respective constitutional debt limits.

New York City's capital program nearly came to a halt during fiscal year 1998, when financing by the City's general obligation (GO) debt approached the State's constitutional debt limit. The New York City debt limit is equal to ten percent of the five-year average of taxable real estate.[7] To overcome this restriction, the State created the Transitional Finance Authority (TFA), backed by personal income tax and sales tax, to provide financing for the City's capital program. Debt from the TFA is not subject to the State's constitutional debt limit.

At the beginning of FY 2000, 94 percent of the City's debt limit had been exhausted, leaving a debt margin of only 6 percent. By the beginning of FY 2006, the debt margin had grown to nearly 20 percent due to increased real estate values and the use of TFA financing instead of GO debt for capital purposes. The debt margin rose to 34 percent at the beginning of FY 2008 due mostly to the continuing growth in real estate values. The TFA has now reached its borrowing cap and the City expects to annually seek legislation to increase the statutory cap on the TFA's indebtedness.

Bond Ratings

Municipal credit rating firms issue evaluations of local government economic and fiscal conditions intended to assess an entity's overall ability to repay its debt. During the rating process, these firms assess a local government's economy, operational efficiency, financial condition and debt position. If a local government exhibits weaknesses in the factors used in a credit analysis, it is possible that the entity will receive a bond rating downgrade, which usually has a detrimental effect on debt service costs for the local government.

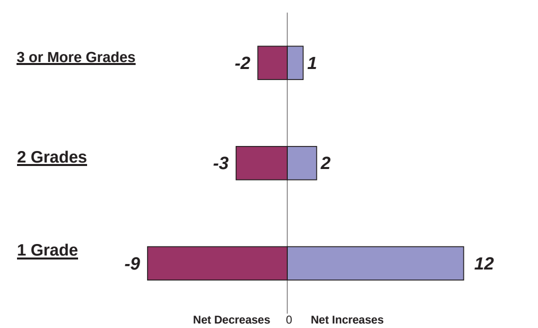
Using data provided by Moody's Investors Service, the following two charts demonstrate net changes in bond ratings for counties and cities between January 2000 and September 2006. Cities and counties are the focus of this segment of the analysis because they are the two classes of local government that are most widely rated.

Counties

There were 14 counties that suffered net downgrades in their ratings between 2000 and 2006, compared to 15 counties that benefited from net upgrades during the same period of time. The remaining counties outside of New York City either have a bond rating that remained unchanged or did not have bond ratings issued by Moody's during this timeframe.

Five counties suffered net downgrades of two or more grades, including Chemung, Cortland, Erie, Monroe and Madison, reflecting the growing financial stress in upstate regions. The primary factors driving these downgrades included operating deficits, limited tax bases, and rising personnel and Medicaid costs.

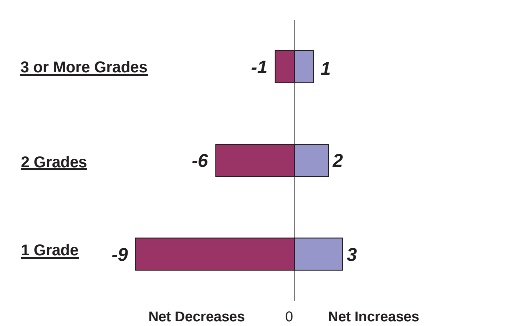
Net Changes in Moody's Bond Rating Grade for Counties
Excluding New York City (2000-2006)



Cities

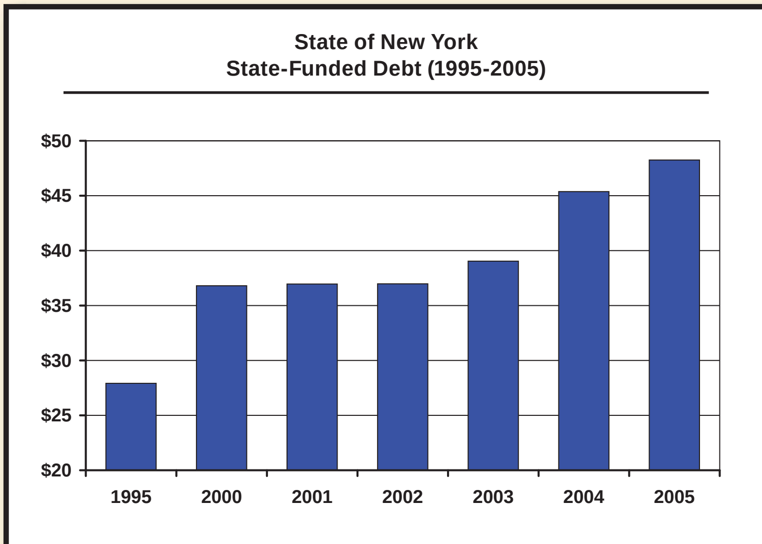
Data from New York State's cities (excluding New York City) for the years 2000 through 2006 illustrate that a disproportionate number of cities has experienced rating downgrades compared to upgrades. There were 16 net downgrades compared to six net upgrades. The other 39 cities had no change in ratings, or were unrated. Most net downgrades occurred in upstate regions (with the exceptions of Kingston in Ulster County and Glen Cove in Nassau County) and again, large operating deficits and limited tax bases were the driving factors behind the downgrades. Other reasons for the downgrades in these cities included cash flow shortages and shrinking tax margins relative to the cities' constitutional tax limits.

Net Changes in Moody's Bond Rating Grade for Cities
Excluding New York City (2000-2006)



New York's State-Funded Debt

The amount of debt funded by New York State continues to increase. The State maintains an extensive infrastructure upon which the State's economy relies. However, if the State continues to issue debt at the current rate, its ability to repair and replace roads, bridges and other infrastructure may be compromised. Furthermore, as the proportion of debt service to available revenues increases, other spending priorities may suffer. Between 1995 and 2005, State-funded debt increased from $27.9 billion to $48.2 billion, an increase of approximately 73 percent.



The Debt Reform Act of 2000 established provisions that were intended to encourage disciplined State debt management policies. The legislation defined State-supported debt and imposed: (1) a new State debt cap that limited new debt issued after April 1, 2000 to 4 percent of State personal income, phased in over 10 years (2) an annual cap on debt service (on such new debt) of 5 percent of all funds receipts applicable to debt issued after April 1, 2000, phased in over 13 years (3) provisions limiting debt to capital purposes and to a maximum maturity of 30 years. Unfortunately, the definition of State-supported debt was not comprehensive. As a result, $9.0 billion in debt has been issued since 2000 that is not counted under the statutory caps, including tobacco asset securitization bonds for deficit financing, special purpose bonds of the Municipal Bond Bank Agency to pay prior year school aid claims, bonds issued by the Sales Tax Asset Receivable Corporation to refinance New York City debt issued in the 1990's for deficit financing and New York City Building Aid Revenue Bonds.

To provide a more comprehensive measure of the State's debt burden, this Office recently developed a new measure called State-funded debt, which includes all debt funded solely with State resources.

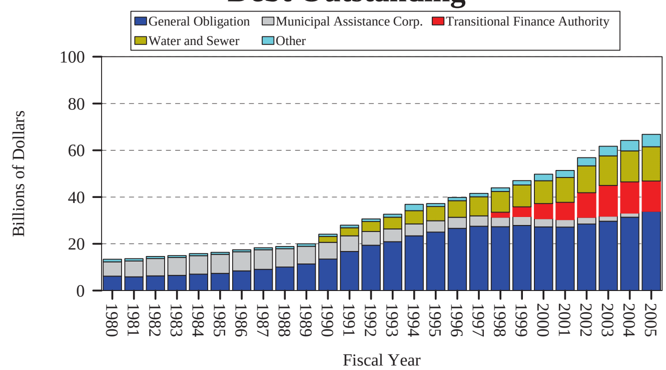
New York City's Debt

New York City's infrastructure was neglected during the fiscal crisis of the 1970s, but since the early 1990s, City leadership has accelerated the effort to improve capital facilities by committing significant resources to maintain assets such as bridges, roads, water systems, and schools.

The City's capital program is funded primarily with debt issued by the City and City-related agencies, e.g., the Transitional Finance Authority.[8] During the FY 1995 to FY 2005 period, New York City's debt outstanding has grown by 79 percent—from $37.2 billion to $66.8 billion.[9]

Over the years, the burden placed on taxpayers from debt has also grown. The amount of the City's debt outstanding per capita has grown from $4,877 in FY 1995 to $8,134 in FY 2005. The amount of debt as a percent of personal income declined to 19 percent in FY 2005 from a peak of 20.1 percent two years earlier, as the growth in personal income outpaced the growth in outstanding debt.

City and City-Related Debt Outstanding



Note: Transitional Finance Authority includes bonds backed by personal income tax. Other includes capital leases and guaranteed debt, bonds from the Jay Street Development Corporation, and TSASC Inc.
Sources: NYC Comptroller's Office; OSDC analysis

Despite the relatively high level of debt outstanding, the ratings on New York City's general obligation bonds now stand at "Aa3" by Moody's Investors Service, "AA" by Standard & Poor's, and "AA-" by FitchRatings—the first time the City has received ratings in the "double A" category from all three rating agencies.

Backdoor Borrowing

Although the data used in this analysis includes most of the debt issued by local governments, it does not capture debt issued by such entities as Industrial Development Agencies (IDAs), local development corporations and local government healthcare corporations. Local governments can sometimes be expected to use their resources for the repayment of such debt. This type of "backdoor borrowing" can add to a local government's debt burden and can place additional demands upon taxpayers. Unfortunately, this type of debt is sometimes difficult to capture because debt service payments are usually made through a contractual service agreement with the issuing entity. The following examples help to illustrate the concept of backdoor debt.

Town of Cicero – Cicero Commons Project

In 1999, the Town of Cicero conveyed land to the Cicero Local Development Corporation (CLDC) upon which the CLDC was going to build a community campus known as Cicero Commons, that included recreational, residential and commercial facilities. The revenue to be generated through the use of these facilities was pledged to support $15.3 million in revenue bonds issued to finance the construction of the complex. As part of the overall agreement, the Town entered into a lease arrangement with the CLDC under which the Town conditionally agreed to back the corporate debt issued for the complex's construction. In 2003, the CLDC defaulted on its debt because Cicero Commons did not generate the necessary revenue to sustain the debt service payments, triggering the Town's conditional agreement to pay roughly $247,000 in annual debt service costs.[10]

County Health Care Corporations

Erie County sought to divest itself from growing medical liabilities with the creation of the Erie County Health Care Corporation (ECHCC), a public benefit corporation established by act of the Legislature. The ECHCC assumed responsibility for managing the Erie County Medical Center (ECMC) and other healthcare facilities formerly operated by the County. During the establishment of the ECHCC, Erie County chose to require the ECHCC to purchase any medical facilities and operations from it for $85 million. Subsequently, the ECHCC issued long-term debt in the amount of $101 million to finance this purchase. Moreover, Erie County contractually obligated itself to pay the annual debt service expenses for this issuance. Ultimately, County taxpayers will pay twice for ECMC's facilities. Additionally, the debt service repayment schedule is back-loaded, with principal payments not beginning until 2009. Future debt service payments will cost taxpayers more than $214 million, or an average annual amount of more than $7 million.[11] Similarly, Nassau and Westchester counties guarantee the debt issued by their respective county health care corporations.[12]

Joint Schools Construction Boards

In an effort to renovate and modernize school facilities, three of the Big Four cities outside of New York City (Buffalo, Syracuse and Rochester) have received State authorization to create Joint Schools Construction Boards (JSCBs) which are capital construction entities of the cities and their respective school districts. JSCBs are authorized to finance the renovation of school buildings through either local IDAs or the Municipal Bond Bank Agency (MBBA), and that debt will not be chargeable to the respective city constitutional debt limits. An alternative financing mechanism was sought for cities with dependent school districts because debt issued for educational purposes is chargeable to the respective city's constitutional debt limit and the significant costs associated with these renovations could not be accommodated within existing limits without compromising other critical capital needs. Together, these three JSCBs could finance over $2.2 billion in debt over the next ten years; debt which will be repaid by taxpayers.

Suffolk County and Tompkins County Industrial Development Agencies

Local governments are not generally liable for debt issued by IDAs. Nonetheless, certain arrangements between these local agencies and municipalities sometimes create an expectation that a debt liability of an IDA will be paid using resources of a local government. In December of 2006, Moody's reported on two of these arrangements involving the Town of Huntington and the City of Ithaca. According to Moody's, both local governments created contingent contractual arrangements to subsidize debt service payments on IDA debt. The Town of Huntington entered into a service agreement that provides for debt service payments on debt issued through the Suffolk County IDA for a solid waste disposal facility within Huntington operated by Covanta Babylon, Inc. In 2005, the Town contributed $185,533 to the Covanta facility in order to avert a deficit at the end of that fiscal year.[13]

The City of Ithaca entered into an agreement whereby the City agreed to financially support a parking garage project financed through the Tompkins County IDA. Subsequently, Moody's incorporated this debt into its debt burden analysis for the City and warned that the City's debt burden had become a substantial cost that could affect the City's future operating flexibility.[14]

Conclusion

New Yorkers are financially supporting an increasing level of government debt. In recent years, local government debt has become a substantial contributor to this overall burden, with school districts accounting for 71 percent of the increase in local government debt between 1995 and 2005. While State building aid reimburses a large portion of the associated debt service costs for school districts, ultimately New York residents, whether at the local or State level, are responsible for repaying this debt. All levels of government must be keenly aware that debt is not a cost-free option; it imposes long-term obligations that can significantly limit a government's flexibility.

As debt levels rise with other non-discretionary costs such as pensions, health care benefits and State mandates such as Medicaid, local governments will face difficult budget choices that could lead to higher taxes and cuts to discretionary programs, particularly in the event of an economic slowdown.

At the State level, the surge in outstanding debt within school districts clearly demonstrates a need to reexamine policies that encourage the overuse of debt. The school building aid formula is the most striking example of State policies which have produced long-term effects on taxpayers, and contributed to New York's high debt burden.

Further, the debt limits imposed on most local governments by the State Constitution have not been effective in controlling the level of *total* debt. Allowable exclusions to these limits tend to obscure the total outstanding debt level of local governments and do not effectively control the reliance on debt. Those local governments that have otherwise exhausted a significant percentage of their constitutional debt limit are likely to apply exclusions or seek "backdoor" alternatives to issuing debt, such as local public authorities. Further, non-city school districts can exclude debt that is reimbursed by State building aid, while small cities and the cities with dependent school districts do not have this option. State policy makers should reconsider the usefulness of these debt limits and advance constitutional changes if deemed appropriate.

At the local level, the analysis in this report strongly suggests that local governments should adopt comprehensive debt management policies to help monitor their growing debt burdens, ensure that the issuance of new debt is prudent and affordable, and preserve its ability to finance future capital needs. A quality debt management policy should be based upon a debt affordability study that examines some or all of the measures outlined in this report. All of these factors should be reviewed periodically and linked to a locality's capital plan in order to project future financing needs and the impact on various debt ratios. The study should be comprehensive, capturing all debt that is dependent on local resources, including any contingent agreement to fund debt service for obligations issued through other entities.

An effective debt management policy can be advantageous in many ways, including:

- It helps create flexibility to manage local finances through an economic cycle. For example, during good economic times, it is usually prudent to pay down debt or fund smaller capital projects on a pay-as-you-go basis rather than by issuing debt. This helps create budget flexibility should an economic downturn occur.

- It can help demonstrate to investors, rating agencies and the public that financial commitments will be met and capital investment can be sustained throughout an economic cycle.

- It may assist local governments to maintain or improve their credit ratings. For example, in its recent upgrade of New York City's bond rating, Moody's Investors Service points out that the City could further improve its rating by reducing its debt burden and establishing a debt management policy.[15]

As an extension of a community's long range planning efforts, a debt management policy should incorporate the following elements to guide management decisions:

- the purposes and types of debt to be issued, including a prohibition against issuing debt for operating purposes;

- parameters for debt issuance, including issuance and repayment schedules and the appropriate mix of bonds to minimize risk and maintain credit quality (i.e., diversified debt portfolio); and

- benchmarks or limits on the level of debt based on an affordability study, including a limit on the level of annual debt service as a percent of revenue and outstanding debt as a percent of real property value or personal income.

The use of long-term debt is a necessary financing tool for all levels of government. Most capital assets require a significant investment up front in order to return benefits over time. By matching the structure of debt to the useful life of the asset being financed, current and future taxpayers share in the cost of a capital project from which they will derive a benefit. Using appropriate financing techniques, governments can spread the burden across an asset's useful life, permitting affordable investments in critical infrastructure needs.

Overall Local Government Outstanding Debt Statistics by County (Excluding New York City)					
	1995	2000	2005		
COUNTY REGION	TOTAL DEBT OUTSTANDING	TOTAL DEBT OUTSTANDING	TOTAL DEBT OUTSTANDING	CHANGE IN TOTAL DEBT OUTSTANDING (1995-2005)	AVERAGE ANNUAL CHANGE IN TOTAL DEBT OUTSTANDING (1995-2005)
Albany	$562,225,776	$536,610,818	$836,718,329	$274,492,553	4.06%
Allegany	$69,901,837	$103,444,163	$187,510,555	$117,608,718	10.37%
Broome	$248,504,813	$388,036,480	$590,709,996	$342,205,183	9.04%
Cattaraugus	$93,697,197	$203,085,976	$242,750,207	$149,053,010	9.99%
Cayuga	$129,967,244	$196,584,684	$228,143,955	$98,176,711	5.79%
Chautauqua	$183,161,543	$319,246,870	$402,735,307	$219,573,764	8.20%
Chemung	$88,563,297	$117,140,011	$209,356,270	$120,792,973	8.98%
Chenango	$50,625,572	$73,783,994	$143,009,581	$92,384,009	10.94%
Clinton	$105,463,403	$107,831,067	$241,262,628	$135,799,225	8.63%
Columbia	$51,956,772	$145,908,506	$152,664,132	$100,707,360	11.38%
Cortland	$46,031,048	$85,144,386	$96,310,927	$50,279,879	7.66%
Delaware	$35,073,772	$58,224,254	$151,233,786	$116,160,014	15.74%
Dutchess	$271,171,940	$389,245,004	$619,611,431	$348,439,491	8.61%
Erie	$1,105,098,226	$1,536,990,669	$2,584,311,405	$1,478,546,512	8.87%
Essex	$33,043,213	$75,116,438	$170,726,124	$137,682,911	17.85%
Franklin	$53,273,061	$110,709,926	$123,934,547	$70,661,486	8.81%
Fulton	$68,031,201	$104,059,866	$125,173,965	$57,142,764	6.29%
Genesee	$72,602,558	$132,255,648	$178,894,572	$106,292,014	9.44%
Greene	$29,201,725	$77,920,816	$118,227,470	$89,025,745	15.01%
Hamilton	$4,144,471	$6,476,214	$11,411,819	$7,267,348	10.66%
Herkimer	$56,676,846	$125,893,935	$164,121,164	$107,444,318	11.22%
Jefferson	$181,589,935	$230,390,482	$309,982,880	$128,392,945	5.49%
Lewis	$41,844,405	$69,404,397	$81,052,543	$39,208,138	6.83%
Livingston	$61,034,206	$154,126,900	$267,784,958	$206,750,752	15.94%
Madison	$86,158,305	$134,755,092	$148,435,902	$62,277,597	5.59%
Monroe	$1,333,096,360	$1,329,931,367	$1,725,350,662	$392,254,302	2.61%
Montgomery	$59,895,335	$104,920,273	$130,381,611	$70,486,276	8.09%
Nassau	$3,383,691,831	$4,410,826,233	$5,968,065,562	$2,584,373,731	5.84%
Niagara	$432,061,492	$545,273,901	$490,637,414	$58,575,922	1.28%
Oneida	$318,676,597	$377,363,780	$514,839,991	$196,163,394	4.91%
Onondaga	$751,561,088	$833,238,946	$1,116,557,412	$364,996,324	4.04%
Ontario	$180,167,030	$237,107,743	$322,302,045	$142,135,015	5.99%
Orange	$429,729,653	$728,167,398	$925,807,799	$496,078,146	7.98%
Orleans	$40,026,126	$81,746,178	$113,860,415	$73,834,289	11.02%
Oswego	$181,280,968	$181,475,545	$299,226,365	$117,945,397	5.14%
Otsego	$63,586,326	$82,608,035	$148,113,359	$84,527,033	8.82%
Putnam	$99,398,322	$138,974,373	$232,108,408	$132,710,086	8.85%
Rensselaer	$253,322,155	$394,589,182	$449,167,222	$195,845,067	5.89%
Rockland	$389,742,724	$492,849,510	$830,430,410	$440,687,686	7.86%
St. Lawrence	$129,813,696	$175,678,997	$215,655,102	$85,841,406	5.21%
Saratoga	$171,827,062	$274,015,526	$447,361,096	$275,534,034	10.04%
Schenectady	$166,427,491	$278,969,970	$308,321,135	$141,893,644	6.36%
Schoharie	$25,573,776	$55,900,738	$107,882,890	$82,309,114	15.48%
Schuyler	$19,261,184	$21,876,426	$49,504,510	$30,243,326	9.90%
Seneca	$39,109,777	$48,488,649	$147,051,141	$107,941,364	14.16%
Steuben	$100,080,824	$216,284,816	$268,769,448	$168,688,624	10.38%
Suffolk	$2,386,929,403	$2,770,546,630	$4,517,812,619	$2,130,883,216	6.59%
Sullivan	$146,931,239	$180,986,882	$260,499,550	$113,568,311	5.89%
Tioga	$36,649,686	$53,382,902	$118,437,215	$81,787,529	12.45%
Tompkins	$126,379,794	$195,834,572	$217,215,972	$90,836,178	5.57%
Ulster	$185,353,604	$252,833,892	$441,191,428	$255,837,824	9.06%
Warren	$86,273,843	$107,020,137	$190,739,360	$104,465,517	8.26%
Washington	$43,479,896	$84,462,100	$121,929,225	$78,449,329	10.86%
Wayne	$112,992,749	$222,070,642	$237,821,012	$124,828,263	7.73%
Westchester	$1,464,411,031	$2,010,407,517	$3,350,593,554	$1,886,182,523	8.63%
Wyoming	$35,284,986	$96,092,561	$93,746,912	$58,461,926	10.26%
Yates	$23,447,631	$24,949,966	$79,244,013	$55,796,382	12.95%
STATEWIDE TOTAL	$16,945,506,045	$22,491,261,983	$32,826,699,310	$15,880,526,598	6.84%

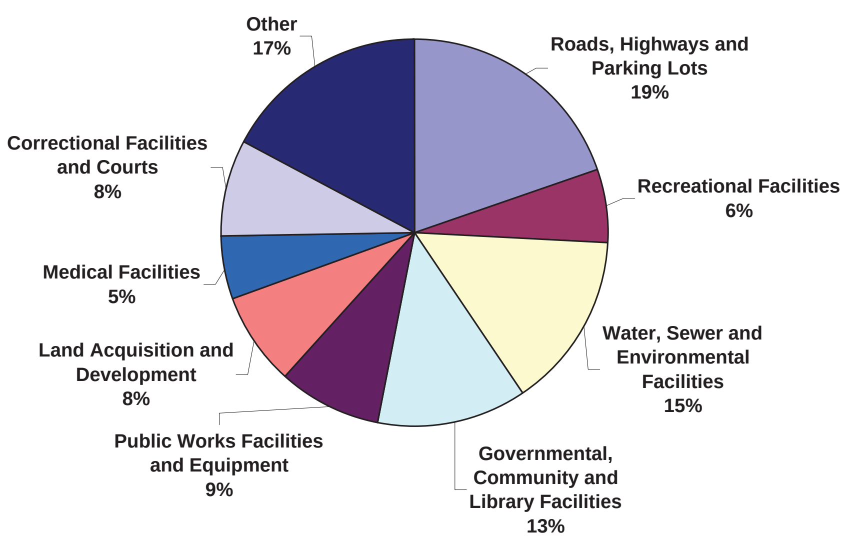
Overall Local Government Outstanding Debt Statistics by County (Excluding New York City)

COUNTY REGION	Overall Outstanding Debt as a Percent of Full Value			Overall Outstanding Debt as a Percent of Personal Income		
	1995	2000	2005	1995	2000	2005
Albany	4.10%	3.91%	4.73%	7.45%	5.47%	7.27%
Allegany	6.32%	7.97%	13.23%	8.83%	10.82%	17.16%
Broome	3.78%	6.78%	8.69%	5.87%	7.65%	10.32%
Cattaraugus	4.29%	8.02%	8.30%	6.56%	11.56%	11.22%
Cayuga	5.49%	8.04%	7.74%	8.55%	10.57%	10.16%
Chautauqua	4.66%	6.72%	7.56%	7.23%	10.69%	11.88%
Chemung	3.78%	4.68%	6.94%	4.92%	5.28%	8.57%
Chenango	3.94%	5.70%	9.18%	5.60%	6.73%	10.84%
Clinton	4.50%	4.15%	7.37%	7.21%	5.99%	11.03%
Columbia	1.51%	4.27%	3.09%	3.81%	8.09%	7.55%
Cortland	3.52%	6.26%	6.16%	5.35%	7.95%	7.94%
Delaware	1.33%	2.11%	4.36%	4.39%	5.56%	12.12%
Dutchess	1.92%	2.77%	2.49%	4.17%	4.39%	5.77%
Erie	3.60%	4.84%	7.18%	5.09%	5.82%	8.43%
Essex	1.19%	2.58%	4.38%	4.85%	8.70%	16.55%
Franklin	3.20%	6.22%	5.50%	6.91%	11.51%	10.88%
Fulton	4.03%	6.21%	6.16%	6.60%	7.85%	7.90%
Genesee	4.19%	7.02%	8.44%	5.98%	9.21%	10.87%
Greene	1.04%	2.89%	3.44%	3.38%	6.86%	8.49%
Hamilton	0.28%	0.39%	0.54%	4.04%	5.16%	7.60%
Herkimer	2.23%	4.80%	5.20%	4.88%	9.14%	10.22%
Jefferson	5.70%	6.85%	7.90%	8.75%	9.03%	8.90%
Lewis	4.70%	7.37%	7.26%	9.90%	13.11%	12.81%
Livingston	3.25%	7.55%	10.59%	5.03%	10.45%	15.86%
Madison	3.84%	5.82%	5.32%	6.21%	7.71%	7.60%
Monroe	4.82%	4.70%	5.32%	7.12%	5.81%	6.54%
Montgomery	4.76%	8.03%	8.95%	6.03%	8.79%	9.47%
Nassau	3.56%	3.83%	3.08%	7.05%	6.96%	8.16%
Niagara	6.01%	7.49%	6.19%	9.48%	10.13%	8.11%
Oneida	4.58%	5.93%	6.99%	6.70%	6.66%	7.92%
Onondaga	4.73%	5.21%	5.88%	7.00%	6.32%	7.28%
Ontario	4.40%	5.35%	5.63%	8.03%	8.39%	9.58%
Orange	2.88%	4.51%	3.28%	6.00%	7.65%	7.91%
Orleans	3.86%	7.04%	8.59%	5.15%	9.07%	11.13%
Oswego	2.83%	3.42%	7.46%	8.13%	6.86%	9.97%
Otsego	3.03%	3.71%	5.41%	5.77%	6.13%	9.03%
Putnam	1.58%	1.98%	1.85%	3.79%	3.72%	5.25%
Rensselaer	4.90%	7.66%	6.87%	7.60%	9.46%	9.17%
Rockland	2.20%	2.41%	2.46%	4.52%	4.17%	6.06%
St. Lawrence	4.45%	5.27%	5.71%	7.30%	7.90%	8.36%
Saratoga	2.06%	2.99%	3.24%	3.87%	4.44%	5.92%
Schenectady	3.02%	5.19%	4.56%	4.47%	6.53%	5.78%
Schoharie	2.01%	4.42%	7.35%	4.34%	7.58%	12.45%
Schuyler	3.38%	3.48%	6.37%	6.25%	5.23%	10.06%
Seneca	3.60%	4.29%	11.69%	6.16%	6.26%	16.28%
Steuben	3.47%	6.85%	7.19%	5.05%	7.61%	8.89%
Suffolk	2.78%	2.57%	2.07%	6.31%	5.24%	7.24%
Sullivan	3.37%	4.42%	4.75%	9.73%	9.52%	11.54%
Tioga	2.63%	3.80%	6.57%	3.73%	4.31%	8.47%
Tompkins	3.50%	5.49%	4.71%	6.73%	8.44%	7.62%
Ulster	2.24%	3.01%	3.15%	5.37%	5.56%	8.11%
Warren	2.01%	2.25%	2.85%	6.48%	6.28%	9.38%
Washington	2.11%	3.77%	4.44%	4.19%	6.48%	7.75%
Wayne	3.64%	6.55%	5.95%	5.80%	9.46%	9.03%
Westchester	2.22%	2.46%	2.25%	4.10%	3.94%	5.70%
Wyoming	3.06%	7.02%	5.91%	5.00%	11.21%	8.77%
Yates	2.18%	2.23%	5.25%	5.96%	4.97%	13.42%
STATEWIDE TOTAL	3.22%	3.78%	3.48%	6.04%	6.13%	7.66%
MEAN	3.37%	4.93%	5.85%	6.05%	7.48%	9.44%
MEDIAN	3.50%	4.80%	5.88%	5.98%	7.58%	8.89%

Overall Local Government Outstanding Debt Statistics by County (Excluding New York City)					
	Overall Outstanding Debt Per Capita Statistics				
COUNTY REGION	OVERALL OUTSTANDING DEBT PER CAPITA (1995)	OVERALL OUTSTANDING DEBT PER CAPITA (2000)	OVERALL OUTSTANDING DEBT PER CAPITA (2005)	CHANGE IN OVERALL OUTSTANDING DEBT PER CAPITA (1995-2005)	CHANGE IN OVERALL OUTSTANDING DEBT PER CAPITA (2000-2005)
Albany	$1,920	$1,822	$2,841	$921	$1,019
Allegany	$1,385	$2,072	$3,756	$2,371	$1,684
Broome	$1,171	$1,935	$2,946	$1,775	$1,011
Cattaraugus	$1,112	$2,419	$2,891	$1,779	$472
Cayuga	$1,579	$2,398	$2,783	$1,204	$385
Chautauqua	$1,291	$2,284	$2,882	$1,591	$598
Chemung	$930	$1,286	$2,299	$1,369	$1,013
Chenango	$978	$1,435	$2,782	$1,804	$1,347
Clinton	$1,227	$1,350	$3,020	$1,793	$1,670
Columbia	$825	$2,313	$2,420	$1,595	$107
Cortland	$940	$1,752	$1,982	$1,042	$230
Delaware	$743	$1,212	$3,147	$2,404	$1,935
Dutchess	$1,045	$1,389	$2,212	$1,167	$823
Erie	$1,141	$1,617	$2,720	$1,103	$1,579
Essex	$889	$1,933	$4,394	$3,505	$2,461
Franklin	$1,145	$2,165	$2,424	$1,279	$259
Fulton	$1,255	$1,889	$2,273	$1,018	$384
Genesee	$1,209	$2,191	$2,963	$1,754	$772
Greene	$653	$1,617	$2,453	$1,800	$836
Hamilton	$785	$1,204	$2,122	$1,337	$918
Herkimer	$861	$1,954	$2,547	$1,686	$593
Jefferson	$1,637	$2,062	$2,774	$1,137	$712
Lewis	$1,562	$2,576	$3,008	$1,446	$432
Livingston	$979	$2,396	$4,163	$3,184	$1,767
Madison	$1,246	$1,941	$2,138	$892	$197
Monroe	$1,867	$1,809	$2,346	$479	$537
Montgomery	$1,152	$2,111	$2,623	$1,471	$512
Nassau	$2,628	$3,305	$4,472	$1,844	$1,167
Niagara	$1,957	$2,480	$2,232	$275	($249)
Oneida	$1,270	$1,603	$2,186	$916	$583
Onondaga	$1,603	$1,818	$2,436	$833	$618
Ontario	$1,894	$2,366	$3,216	$1,322	$850
Orange	$1,397	$2,133	$2,712	$1,315	$579
Orleans	$957	$1,851	$2,578	$1,621	$727
Oswego	$1,489	$1,483	$2,445	$956	$962
Otsego	$1,051	$1,339	$2,401	$1,350	$1,062
Putnam	$1,184	$1,452	$2,424	$1,240	$972
Rensselaer	$1,640	$2,587	$2,945	$1,305	$358
Rockland	$1,468	$1,719	$2,896	$1,428	$1,177
St. Lawrence	$1,159	$1,570	$1,927	$768	$357
Saratoga	$948	$1,366	$2,230	$1,282	$864
Schenectady	$1,115	$1,904	$2,104	$989	$200
Schoharie	$803	$1,770	$3,416	$2,613	$1,646
Schuyler	$1,032	$1,138	$2,575	$1,543	$1,437
Seneca	$1,161	$1,454	$4,410	$3,249	$2,956
Steuben	$1,010	$2,191	$2,722	$1,712	$531
Suffolk	$1,806	$1,952	$3,183	$1,377	$1,231
Sullivan	$2,121	$2,447	$3,522	$1,401	$1,075
Tioga	$700	$1,031	$2,287	$1,587	$1,256
Tompkins	$1,343	$2,029	$2,251	$908	$222
Ulster	$1,121	$1,422	$2,482	$1,361	$1,060
Warren	$1,457	$1,691	$3,013	$1,556	$1,322
Washington	$733	$1,384	$1,997	$1,264	$613
Wayne	$1,268	$2,368	$2,536	$1,268	$168
Westchester	$1,674	$2,177	$3,628	$1,955	$1,451
Wyoming	$830	$2,213	$2,159	$1,329	($54)
Yates	$1,028	$1,013	$3,219	$2,191	$2,206
STATEWIDE TOTAL	$1,588	$2,051	$2,993	$1,405	$942
MEAN	$1,262	$1,878	$2,770	$1,509	$892
MEDIAN	$1,171	$1,933	$2,666	$1,377	$836

Purposes for which New York's Cities, Counties, Towns and Villages Issued Long-Term General Obligation Debt, 2005									
	Cities	% of Class Total	Counties	% of Class Total	Towns	% of Class Total	Villages	% of Class Total	Purpose Total
Roads, Highways and Parking Lots	$47,054,227	28%	$88,158,283	15%	$72,138,699	22%	$27,836,897	25%	**$235,188,106**
Recreational Facilities	$2,857,680	2%	$23,946,535	4%	$37,907,144	12%	$5,839,990	5%	**$70,551,349**
Water, Sewer and Environmental Facilities	$34,141,613	20%	$56,203,554	10%	$60,017,617	19%	$23,522,650	22%	**$173,885,434**
Governmental, Community and Library Facilities	$20,926,757	12%	$68,347,320	12%	$36,144,342	11%	$23,931,900	22%	**$149,350,319**
Public Works Facilities and Equipment	$15,728,078	9%	$35,545,932	6%	$45,570,730	14%	$4,946,350	5%	**$101,791,090**
Information Technology	$884,450	1%	$18,554,760	3%	$4,957,000	2%	$834,000	1%	**$25,230,210**
Police, Fire and Emergency Services	$11,663,712	7%	$13,685,576	2%	$3,392,000	1%	$9,256,354	8%	**$37,997,642**
Land Acquisition and Development	$11,995,000	7%	$37,320,750	6%	$38,362,000	12%	$5,355,000	5%	**$93,032,750**
Miscellaneous Equipment and Vehicles	$5,039,175	3%	$16,284,422	3%	$5,314,620	2%	$775,000	1%	**$27,413,217**
Other	$6,612,001	4%	$15,684,264	3%	$17,358,500	5%	$2,504,550	2%	**$42,159,315**
Schools	$12,311,532	7%							**$12,311,532**
Community College Facilities			$45,975,169	8%					**$45,975,169**
Medical Facilities			$63,836,654	11%					**$63,836,654**
Airports			$7,559,775	1%					**$7,559,775**
Correctional Facilities and Courts			$95,701,655	16%					**$95,701,655**
Tax Certiorari Payments							$4,036,200	4%	**$4,036,200**
Class Total	**$169,214,225**		**$586,804,649**		**$321,162,652**		**$108,838,891**		**$1,186,020,417**

Debt Issuances for Local Governments, 2005



Note: Excludes school district debt issued by non-city districts

Notes on Data

OSC collects data used in this report from counties, cities, towns and fire districts on outstanding debt, revenues and debt service. OSC collaborates with the State Education Department (SED) to collect data used in this report on school districts.

For the purposes of this report:

(1) Counties must file levy and assessment information to OSC to ensure that these entities do not exceed their constitutional tax limits. These data, along with equalization rate information from the Office of Real Property Services (ORPS) allows OSC to provide the value of real property by county.

(2) Outstanding debt includes bonds, bond anticipation notes, capital notes, installment purchases and State or authority loans. This classification differs from previous representations of outstanding debt because it does not include short term cash flow borrowings such as tax anticipation notes, revenue anticipation notes and budget notes.

(3) Debt service consists of principal and interest. Principal payments are for the redemption of bonds, capital notes, bond anticipation notes and installment purchases. These amounts do not include principal payments on tax anticipation notes, revenue anticipation notes and budget notes. Principal does not include principal payments made within enterprise funds and bond anticipation notes redeemed from the proceeds of bond issues. Interest consists of interest payments for bonds, bond anticipation notes, tax anticipation notes, revenue anticipation notes, budget notes, capital notes and installment purchases.

(4) Revenues include real property taxes, real property tax items, sales and use taxes, use and sale of property, other non-property taxes, charges for services, charges to other governments, State aid and federal aid. These amounts do not include proceeds from debt and transfers. These revenue streams were included because they may be used by local governments to repay debt.

(5) Purpose of Debt – this analysis considers data collected from debt statements submitted to OSC pursuant to Section 109 of the Local Finance Law. Within the debt statement, a local government may specify the purposes for which the particular debt was issued. These statements do not include all debt issued in 2005.

Bureau of Economic Analysis (BEA)

- Personal income by county through 2005.

Census Bureau

- Population 2000 – Decennial Census
- State and local finances are collected by the Census Bureau at five year intervals and an annual survey for the intervening years. The Census Bureau classifies government indebtedness differently than the method used in this report. The Census Bureau includes certain debt that is not guaranteed by a local government entity such as conduit debt. This explains the difference between the per capita comparison on pg. 3 and the per capita calculations based on the definition of outstanding debt previously clarified.

Endnotes

[1] Outstanding debt includes bonds, bond anticipation notes, capital notes, installment purchases and State or authority loans.

[2] Debt service consists of principal and interest. Principal payments are for the redemption of bonds, capital notes, and bond anticipation notes. These amounts do not include principal payments on tax anticipation notes, revenue anticipation notes and budget notes. Principal does not include principal payments made within enterprise funds and bond anticipation notes redeemed from the proceeds of bond issues. Interest consists of interest payments for bonds, bond anticipation notes, tax anticipation notes, revenue anticipation notes, budget notes and capital notes.

[3] "New York City Independent Budget Office Fiscal Brief: How Much Is Too Much? Debt Affordability Measures for the City." New York City Independent Budget Office. April 2006.

[4] These data were obtained from the Bureau of Economic Analysis of the U.S. Department of Commerce.

[5] During the late 19th century, New York State government began to attempt to stem the rise in municipal debt with constitutional and statutory limits. In 1938, Constitutional amendments were adopted that provided for a new Article VII, that established the current Constitutional debt limits. There have since been changes in debt limits that have expanded exemptions in certain circumstances, such as debt issued for sewer and water purposes.

[6] School districts within small cities (those having less than 125,000 inhabitants) have some latitude to increase indebtedness for specific projects if the project is approved by 60 percent of the school district's voters and the State Comptroller and The Regents of the University of the State of New York.

[7] Excluding water and sewer projects, which are exempt from the State's constitutional debt limit.

[8] City-related agencies are legally separate entities from the City that issue debt funded with resources that would have otherwise benefited the City's operating budget, such as personal income tax and tobacco settlement revenues.

[9] Office of the New York City Comptroller, Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 1995, and Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2005 and Office of the State Deputy Comptroller for the City of New York analysis.

[10] "Town of Cicero, Cicero Commons Project: Report of Examination." Office of the New York State Comptroller. Division of Local Government Services and Economic Development. May 2005.

[11] "The Sale of the Erie County Medical Center." Office of the New York State Comptroller Division of Local Government Services and Economic Development. Nov. 2004.

[12] Official Statement – Nassau Health Care Corporation Bonds, Series 2004B (Nassau Country Guaranteed).

[13] Global Credit Rating Research Rating Update: Town of Huntington, N.Y., Moody's Investors Service, Inc. Dec. 14, 2006.

[14] Global Credit Rating Research Rating Update: City of Ithaca, N.Y., Moody's Investors Service, Inc. Dec. 29, 2006.

[15] Global Credit Rating Research Rating Update: City of New York, N.Y., Moody's Investors Service, Inc. July 18, 2007.

New York State
Office of the State Comptroller

Division of
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