

# Office of the New York State Comptroller

Thomas P. DiNapoli • State Comptroller



## Fiscal Stress Monitoring System<sup>®</sup>

### Fact Sheet

September 2015

#### The Fiscal Stress Monitoring System provides:

- An early warning of fiscal stress to local governments and school districts by examining their financial information and aspects of their external environment; and
- Feedback to local leaders, State officials and taxpayers about fiscal stress conditions to help them prioritize the needs of their community, understand trade-offs and follow through with tough decisions.

#### The System has two main components:

**Financial indicators** evaluate budgetary solvency, the ability of a locality to generate enough revenue to meet expenses, by measuring:

- Year-end fund balances
- Operating deficits/surpluses
- Cash position
- Use of short-term debt for cash flow
- Fixed costs (evaluated for local governments only)

The System uses information that local governments and school districts already submit/report; there are no new reporting requirements.

**Environmental indicators** capture trends that influence revenue-raising capability and demands for service:

##### Local Governments

- Population
- Age
- Poverty
- Property values
- Employment
- Dependence on revenue from other government units (which can be highly variable)
- Constitutional tax limits
- Sales tax revenue

##### Schools

- Property values
- Enrollment
- Budget vote trends
- Graduation rate
- Free or reduced price lunch participation

Although environmental factors are largely outside a locality's control, they provide insight about additional challenges confronting a community.

# Fiscal Stress Monitoring System<sup>®</sup>

## Fact Sheet

### Results

Entities receive a fiscal score and an environmental score. Based on the fiscal score, the system assigns an entity to one of three categories of stress or to the “no designation” category if its score doesn’t meet the threshold of stress. The three categories of stress are: Significant Fiscal Stress, Moderate Fiscal Stress and Susceptible to Fiscal Stress.

The fiscal score determines placement on a stress list; the environmental score provides context.

### Timing

The system generates a new score once a year for each entity, after its annual financial report has been submitted and reviewed.

### Helping Local Leaders and Taxpayers

The System allows interested parties to track stress condition trends and get a better sense of where an entity is headed, so that decision-makers are not merely responding to a crisis. Instead, they are taking a deliberate, long-term and strategic approach to managing the affairs of their local government.

The New York State Office of the State Comptroller provides a range of tools to help local governments manage their finances prudently. These include a budgeting self-assessment tool, training, management guides, research and best practices gleaned from local governments and school districts across the State.

For more details about the System, see the Fiscal Stress Monitoring System webpage.

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)



Like us on Facebook at [facebook.com/nyscomptroller](https://facebook.com/nyscomptroller)

Follow us on Twitter @nyscomptroller

Copyright © 2013 The New York State Office of the State Comptroller

Office of the New York State Comptroller