

County Governments: New York State Fiscal Stress Scores and Environmental Scores



Albany Research In Public Administration (ARPA)

Report Number 2017-7

February 21, 2017

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Albany, New York

www.albanyrpa.com

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ARPA New York State Local Government Improvement Program Series

This study is part of a four part series about the efforts of the State of New York to improve local government efficiency. The series includes reports on:

1. The New York State Fiscal Stress Monitoring System for Local Governments.
2. The Financial Restructuring Board for Local Governments *A New York State Entity*.
3. The New York State Local Government Real Property Tax Freeze.
4. The New York State Department of State Local Government Efficiency Program.

Quantitative Fiscal Brief Studies

The *Quantitative Fiscal Brief* studies use inferential statistics such as regression analysis to study public management tools in the area of government finance.

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County Governments: New York State

Fiscal Stress Scores and Environmental Scores

Abstract

This paper examines the data used by the Office of the New York State Comptroller (OSC) in the Fiscal Stress Monitoring System. The OSC computes fiscal stress scores and environmental variable scores for numerous local governments in New York State. The fiscal stress scores measure specific ratios for the local governments to determine if they have fiscal stress. The environmental scores examine issues such as poverty or unemployment rates in the local government area to determine if the underlying economic conditions are weak or strong. A regression analysis was used to study the statistical relationships between the fiscal stress score and the environmental variable score for county governments in New York State. The regression analysis examined the theory that those local governments with weak financial environmental conditions should have greater fiscal stress than other governments. The regression analysis found little support for this idea which means that the environmental variable scores are not a good predictor of fiscal stress for the county governments in New York State.

Introduction

The State of New York New York currently has a Fiscal Stress Monitoring System maintained by the Office of the New York State Comptroller (OSC). The system uses a number of metrics to designate whether a local government is experiencing fiscal stress. The system calculates a fiscal stress score and an environmental indicator score for local governments. There is an assumption in the system that localities with higher environmental scores have more risk. That should translate into a higher fiscal stress score. This study examines the fiscal stress scores and environmental indicator scores to determine if there is a sound statistical relationship between the two sets of variables. It is expected that the fiscal stress score would be influenced by

the environmental indicator score. Regression analysis is used to study the statistical relationships that exist between the two scoring systems. This report is part of the Albany Research in Public Administration *Quantitative Fiscal Brief Series*.

Background

The OSC developed a new Fiscal Stress Monitoring System for Local Governments during 2012.¹ The system uses data for nine variables to develop a fiscal stress score. Examples of the variables include fund balance ratios, operating deficit metrics, and cash and debt related variables (Martinez 2016). The system develops a fiscal stress score for the governments and those with scores greater than 45 percent are considered to have varying levels of fiscal stress. The more important variables in the system for county governments are related to fund balance, operating deficits, and cash levels.²

The OSC also computes an environmental indicator score for each local government. A total of 14 variables are used in the analysis relating to changes in population, age of the population, poverty rates, property value changes, the employment base, intergovernmental revenues, issues associated with the New York State constitutional tax limit, and the amount of sales tax receipts. (Office of the New York State Comptroller 2016). The OSC computes the environmental scores and sorts the localities into four basic groups. The group with the least desirable environmental are designated as “worst.” The next group is designated as the next worse category. Localities below that grouping are considered as the last group with negative environmental conditions. Localities with lesser amount of environmental condition issues are considered as having no designation related to environmental conditions.

During 2016 the OSC made a presentation in Albany, New York concerning the Fiscal Stress Monitoring System. The presentation indicated that the OSC environmental indicators ‘capture trends that

¹ See Albany Research in Public Administration Report Number 2016-1, entitled *The New York State Fiscal Stress Monitoring System for Local Governments*. August 1, 2016. (www.albany.rpa.com)

² Ibid.

influence revenue-raising capability and demands for service but that are largely outside local officials' control.'³

Regression Analysis for County Governments

Appendix 1 contains the fiscal stress scores and the environmental indicator scores for county governments as computed by the OSC. A regression analysis can be used to determine if there is a statistical relationship between the OSC's fiscal stress scores and the environmental indicator score variable.⁴ The basic assumption in the regression analysis is that counties with higher environmental scores should also have higher fiscal stress scores. For instance, counties with higher poverty and unemployment rates should have more fiscal stress than counties without such problems.

The regression analysis uses the OSC's fiscal stress score as the dependent variable and the environmental indicator score as an independent variable. The analysis was used for the 54 counties listed in Appendix 1. The data was taken from the Office of the New York State Comptroller Fiscal Stress Monitoring System Tool for Counties. The regression analysis shows that there is not a strong relationship between the environmental indicator scores and the fiscal stress scores as computed by the OSC. The environmental score variable is not significant at the 90 percent significance level and the model only accounts for about 1 percent of the fiscal stress score computations. More detail on the regression analysis statistics is shown in Appendix 2.

The data in Appendix 1 shows that there are 6 counties which the OSC would classify as having the two worst levels of environmental indicator scores. These include the counties of Allegany, Cayuga, Chautaugua, Chemung, Niagara, and Oneida County. Only one of the counties (Oneida) is placed on the OSC's fiscal stress list. There are a number of other counties that are placed on the fiscal stress list (Broome, Erie, Franklin,

³ Martinez 2016, p. 9.

⁴ A standard regression analysis using the formula $Y = M(X) + b$ is used. Y=the dependent variable represented by the fiscal stress score. The term M(X) represents the independent variable such as the environmental indicator score. The term b is a standard error term. (Berry and Feldman (1985), Lewis-Beck and Lewis-Beck (2016), Schroeder, Sjoquist, and Stephan (2017).

Monroe, Nassau, Orange, Rockland, Suffolk and Westchester) due to having fiscal stress scores greater than the level of 45. None of these counties, however, have environmental indicator scores in the worst two levels as designated by the OSC.

The regression analysis and the other statistics provided above illustrate that there is not a good fit between the fiscal stress scores and the environmental indicator scores as computed by the OSC for county governments.

Summary and Conclusions

This paper analyzed the fiscal stress scores and environmental indicator scores as developed by the OSC for county governments in New York State. A regression analysis illustrated that the environmental indicator scores are not a good predictor of fiscal stress for the counties. Also, an analysis of selected counties with high environmental indicator scores and high fiscal stress scores found that the two types of scoring mechanisms did not agree in most cases. The OSC should be careful when computing environmental indicator scores since they do not line up well with the fiscal stress scores computed by the OSC in the Fiscal Stress Monitoring System.

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Appendix 1

County Data for the Regression Analysis

County	OSC Fiscal Stress Score	OSC Environmental Indicator Score
Albany	44.6	2.5
Allegany	12.5	42.5
Broome	67.5	36.7
Cattaraugus	15.8	29.2
Cayuga	3.3	42.5
Chautauqua	12.9	49.2
Chemung	32.5	40.0
Chenango	6.7	38.3
Clinton	29.2	25.8
Columbia	42.1	20.0
Cortland	22.1	23.3
Delaware	12.9	34.2
Dutchess	6.3	14.2
Erie	50.0	22.5
Essex	15.8	25.8
Franklin	67.5	26.7
Fulton	15.8	11.7
Genesee	27.5	27.5
Greene	0	12.5
Hamilton	12.5	20.8
Herkimer	19.2	5.8
Jefferson	35.0	31.7
Lewis	22.5	28.3
Livingston	9.6	25.8
Monroe	82.1	5.0
Montgomery	25.4	28.3
Nassau	62.5	4.2
Niagara	6.7	40.8
Oneida	51.3	45.8
Onondaga	25.4	2.5
Ontario	6.3	2.5
Orange	51.3	10.8

Appendix 1 (Continued)
County Data for the Regression Analysis

County	OSC Fiscal Stress Score	OSC Environmental Indicator Score
Orleans	25.8	34.2
Oswego	22.5	35.8
Otsego	28.8	34.2
Putnam	24.2	28.3
Rensselaer	38.3	5.0
Rockland	65.8	10.8
Saratoga	31.7	0
Schenectady	32.1	34.2
Schoharie	19.6	25.8
Schuyler	28.8	8.3
Seneca	16.3	7.5
Steuben	15.8	3.3
Suffolk	60.8	6.7
Sullivan	36.7	20.8
Tompkins	3.3	25.8
Ulster	16.3	10.8
Warren	12.5	10.0
Washington	9.6	10.0
Wayne	19.2	25.8
Westchester	56.7	26.7
Wyoming	19.2	33.3
Yates	15.8	14.2

Appendix 2 Regression Analysis Detail

Regression: Fiscal Stress Score = Environmental Indicator Score (N=54)

R-squared = .01 (Only 1% of fiscal stress scores associated with the environmental variable)

Environmental Indicator Score Coefficient = - 0.249

t-ratio = -1.244

Probability = Not significant at 90% level, p-value = .219

Constant = 33.03

Standard Error = .195