MERCATUS CENTER
George Mason University

POLICY BRIEF

Assigned and Unassigned General Fund Balances before the Pandemic

Marc Joffe

September 2020

Most US state and local governments entered the COVID-19 crisis with adequate reserves, but there were some notable exceptions. When considering a government's reserves, numerous metrics can be evaluated. For my analysis in this policy brief, I focus on general fund reserves. A government's general fund is roughly analogous to an individual's checking account. Just as a financial reversal such as unemployment or unexpected expenses can exhaust an individual's checking account and trigger a financial emergency, running out of general fund reserves leaves governments vulnerable to their own financial crises.

Insufficient general fund reserves have been associated with municipal bankruptcies during previous downturns. For example, the City of Detroit had a general fund balance of −$269,486,657 a year before its 2013 bankruptcy filing.[1] In my analysis of California municipal bankruptcies, I find that a general fund balance ratio was a good predictor of the 2012 Stockton and San Bernardino bankruptcies and that general fund exhaustion was cited as a cause of Vallejo's 2008 filing. In Vallejo's case, the city had over $100 million of entity-wide cash when it filed, but staff chose to avoid short-term interfund borrowing because of their understanding of government accounting rules.[2]

Statistical support for the link between general fund exhaustion and municipal insolvencies was also established by Evgenia Gorina, Marc Joffe, and Craig Maher in a 2018 study for the Mercatus Center at George Mason University.[3] Consequently, a review of general fund reserves may help researchers identify the local governments most at risk of bankruptcy during the COVID-19 downturn. In this policy brief, I use that and related information to assess the bankruptcy risk for selected entities with large negative fund balances.

For this analysis, I reviewed general fund data for over 5,000 US state and local general purpose governments (i.e., counties, cities, townships, towns, villages, boroughs, and municipalities). The median government in my sample has assigned and unassigned general fund balances equal to 46 percent of general fund expenditures.

The median value is considerably greater than the minimum recommended by the Government Finance Officers Association (GFOA). In a 2016 best practices document, GFOA recommends, "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."[4] This guidance implies a balance-to-expenditure ratio of 16.67 percent.

Governmental Accounting Standards Board (GASB) statement number 54 categorizes general fund balances by their degree of accessibility. The GASB describes these five categories as follows:[5]

- Nonspendable: Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The not-in-spendable-form criterion includes items that are not expected to be converted to cash; for example, inventories and prepaid amounts.
- Restricted: Funds whose use is constrained by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or by law through constitutional provisions or enabling legislation.
- Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned: Amounts that are constrained by the government's intent to use them for specific purposes, but are neither restricted nor committed.
- Unassigned: A fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Because GFOA's standard focuses on "unrestricted" balance, it technically includes the last three categories listed. I consider only assigned and unassigned balances, which is a practice used by the Florida State Auditor in its local government financial assessments.[6] The Ohio auditor of state only considers the unassigned fund balance in its analysis.[7]

While over 80 percent of the governments in my sample had readily accessible fund balances exceeding the GFOA guideline, many entities entered the current crisis with little or no general fund reserves to spare. In fact, over 100 of the governments I surveyed had negative aggregate assigned and unassigned fund balances, leaving them unprepared for a fiscal emergency such as the one created by the COVID-19 pandemic.

In this policy brief, I profile five governments that reported negative balances at the end of their 2019 fiscal year, focusing on the factors that caused their vulnerability and the impacts they now face.

A survey of local governments that have filed 2019 audited financial statements does not fully capture public-sector fiscal distress. Some of the most financially troubled governments file financial statements months or even years late. For example, Compton, California, a city that has shown negative general fund balances in reports provided to the state controller, had not filed audited financial reports for the fiscal years 2014–2017 or 2019 at the time of this writing.[8] Chester, Pennsylvania, another delinquent filer, showed a −$15,344,588 general fund balance as of December 31, 2017.[9] Finally, the first city to file a municipal bankruptcy petition during the coronavirus downturn—Fairfield, Alabama—had yet to post a 2018 audit as of this writing. For the fiscal year that ended September 30, 2018, the city reported an unassigned general fund balance of −$5,455,440.

CENTURY, FLORIDA

Century is a small town in the Florida Panhandle, on the Alabama border. The Census Bureau estimates its population at 1,846 and reports a median household income of $34,063,[10] well below the national median of $63,179.[11] At its founding in 1901, the town's major employer was a sawmill. But that facility closed in the 1970s and Century's major employer today is a state prison.[12]

The town's 2019 comprehensive annual financial report (CAFR) shows aggregate assigned and unassigned general fund balances of −$3,001,740, which is almost double the town's 2019 expenditures of $1,580,124. The negative fund balance appears to be a chronic condition: seven years earlier the balance was −$2,816,439.

Aside from the negative fund balance, Century's CAFR and single audit reveals other problems with town finances. Notably, Century failed to make debt service payments on gas system revenue bonds in March 2017, 2018, and 2019. The bonds were issued in 2015 and had remaining principal of $440,762 as of June 30, 2019. Century cured the default in February 2020, but the event does not appear to have been reported to the Electronic Municipal Market Access system, in apparent contravention of Securities and Exchange Commission regulations.[13]

The single audit report also states that Century failed to make timely payments on credit cards, of payroll taxes to the IRS, and to water and sewer bondholders. The latter two categories of payment failure are consistent with a state of financial emergency as defined in Florida statutes.[14]

In addition to its negative general fund position, Century faces a deficit in its natural gas fund. However, these deficits are exceeded by a positive position in the town's special revenue fund and in its water and sewer fund. Century has avoided outright insolvency through interfund borrowing.

However, this interfund borrowing is legally questionable. Century's special tax revenue fund represents the town's share of Escambia County's local government infrastructure surtax. Under Florida law, proceeds from this tax must be used to finance infrastructure projects.[15] Borrowing these tax proceeds to finance operating costs incurred by the general fund is thus inconsistent with the purposes of this tax.

Although Century's financial condition was precarious going into the COVID-19 crisis, the town appears relatively well-insulated from the pandemic's fiscal impacts. Its governmental funds draw more revenue from federal grants than local taxes, and since the federal government is not reducing its spending, it appears to be a relatively secure revenue source. Furthermore, revenue from business-type activities (water, sewer, and natural gas) exceeds all governmental activity revenue. Utility rates should be relatively stable during the recession, especially since the local economy is supported by an employer—the state prison—that is unlikely to lay off staff. As a result, consumers should be able to continue paying bills from municipal utilities.

COUNTRY CLUB HILLS, ILLINOIS

Country Club Hills is a southern suburb of Chicago with a population of 16,482 (slightly below 2010 levels) and a median household income of $59,353.[16]

In 2019, the city ran a general fund deficit and its unassigned fund balance deteriorated from −$2,388,792 to −$2,946,993, and it did not have any assigned fund balance. However, Country Club Hills has had even larger negative positions in the past. In 2013, the unassigned fund balance was −$6,542,155.

In January 2020, Standard & Poor's (S&P) downgraded Country Club Hills to BBB−, its lowest investment grade rating. In its release, S&P stated, "The lower rating reflects our view of the city's weaker liquidity, with available cash and cash equivalents having declined significantly during the past two years, as well as weaker budgetary performance leading to a worsened negative fund balance position."[17] While Country Club Hills' general fund position is not much worse than it was in previous years, the town has been shedding cash. In 2013, its government-wide cash and investment holdings were $15,796,744; by 2019, the balance had fallen by 70 percent, to $4,765,505.

Then, in June 2020, S&P withdrew the city's credit rating, stating that its action followed "repeated attempts by S&P Global Ratings to obtain timely information of satisfactory quality to maintain our rating on the securities in accordance with our applicable criteria and policies."[18]

Although County Club Hills' financial position has been deteriorating, its exposure to the effects of the COVID-19 pandemic appears limited. Relatively stable property taxes accounted for 66 percent of government-wide revenue in 2019, with sales taxes contributing only 12 percent. However, WGN-TV reported in May 2020 that the city had laid off 38 people as it braced for a $6 million annual budget deficit.[19]

Fiscal distress is common in southern Cook County. Nearby Dolton, Lynwood, and Riverdale also reported negative assigned and unassigned fund balances in 2019. The city of Harvey reported a very large negative general fund balance in 2018, but had yet to file a 2019 audit at the time of this writing.[20] A 2018 Chicago public radio report traced the area's decline to the loss of manufacturing jobs and white flight that began in the 1970s and 1980s.[21]

EL CERRITO, CALIFORNIA

El Cerrito is a suburb of San Francisco with a population of 25,508. Like many cities in the East Bay, it has seen only limited benefit from the Bay Area's tech boom. None of the 20 principal employers listed in its 2019 CAFR are technology firms.[22] However, the growth in regional technology employment has bolstered the city's median household income, which, at $100,422, is well above the national average.

California cities have relatively limited options for raising tax revenues, and El Cerrito has maximized its use of these tools. It imposes 1.5 percent in municipal sales taxes, resulting in a total rate of 9.75 percent within city limits, higher than that of most other cities in the area.[23] It also has a relatively high tax on real estate sales: 0.12 percent.[24]

But despite these revenue enhancements, the city has been unable to balance revenues and expenditures. According to historic CAFRs, the city ran general fund deficits every year between 2006 and 2015, had small surpluses in 2016 and 2017, but then returned to deficits in 2018 and 2019. Assigned and unassigned fund balances fell from $2,646,012 in 2012 to −$1,707,620 in 2019.

The lack of general fund reserves prompted El Cerrito's auditor, Badawi & Associates, to include "going concern" language in its opinion. GASB statement number 56 requires financial statement preparers to include this language if there is reason to doubt that an entity can "continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations," or if there is a potential for "restructuring of debt, submission to the oversight of a separate fiscal assistance authority or financial review board, or similar actions" over the next 12–15 months.[25]

The California State Auditor has also expressed concern about El Cerrito's finances, listing it as one of the state's 18 high-risk cities and obtaining approval of the Joint Legislative Audit Commission to conduct an audit of the city's finances.[26]

El Cerrito has been able to pay bills despite having a negative unreserved fund balance because it has been able to borrow against future revenues. In recent years, the city was able to obtain revenue anticipation loans from a local bank, but it was unable to secure a new loan for the 2020–2021 fiscal year, raising concerns about a potential insolvency.

However, in June 2020, the city successfully floated an $8.5 million tax and revenue anticipation note. The note, which is secured by a claim on 2020–2021 city revenues, received a rating of SP-2 from S&P, the second best of three ratings the agency assigns to short-term debt securities. The issue was sold at a yield of 0.85 percent.[27] With origination costs included, El Cerrito's true interest cost was 2.05 percent.[28]

El Cerrito's ability to roll over short-term debt at a very modest funding cost augurs well for its ability to weather the COVD-19 recession. On the other hand, the city's heavy dependence on sales tax receipts suggests that restaurant and store closures will seriously affect revenues while the pandemic continues.

LONG BEACH, NEW YORK

Long Beach is an oceanside community in Nassau County, not far from New York City. Its population is 33,454 (little changed from 2010), and it has a median household income of $93,722.[29]

Long Beach suffered severe damage from Hurricane Sandy in 2012. The storm caused an "estimated $200 million in damages to city property, including the water and sewage systems and the 2.2-mile boardwalk, and substantially damag[ed] hundreds of homes and business across the barrier island, leaving many residents displaced."[30] Although the city experienced negative unreserved general fund balances in the aftermath of Sandy, it returned to the black in 2014.

But since 2015, the city has suffered a rapid deterioration in its general fund reserves. Assigned and unassigned fund balances totaled $7,685,313 in 2015, $6,048,094 in 2016, $4,439,891 in 2017, −$813,994 in 2018, and −$2,918,278 in 2019. Long Beach's most recently adopted budget projects a further deterioration in the year ending June 30, 2020.[31]

Long Beach has addressed the lack of reserves with short-term borrowing. It most recently rolled over its short-term debt shortly before the coronavirus crisis, issuing $41,645,430 in tax-exempt bonds yielding 1.20 percent and $2,441,000 in taxable bonds yielding 1.85 percent.[32] The bond issuance was not rated, but Moody's maintains an issuer rating of Baa2 on the city,[33] two notches above the speculative range.

Long Beach is the most fiscally stressed city in New York, according to an analysis published by the Office of the New York State Comptroller. Its composite stress score of 85.0 (higher is worse) makes it one of only two municipalities in the state comptroller's system categorized as having "significant stress." The other is Amsterdam in upstate New York, with a score of 83.3.[34]

Although Long Beach is severely distressed, its condition may not be seriously exacerbated by COVID-19. Sales tax receipts contributed just 5.4 percent of fiscal year 2019 revenue. The new city manager expects to balance the city's 2020–2021 budget with $2.8 million of reductions (accounting for 2.91 percent of operating expenditures), primarily through layoffs.

The city's financial problems transcend its general fund. Other governmental funds also have significant deficit positions, and its government-wide net unrestricted position is −$214,113,569, more than double 2019 revenues. The largest contributor to Long Beach's government-wide balance sheet debt is a liability of $138,931,026 for other postemployment benefits. The city pays the full medical insurance premiums for all retirees with at least 15 years of service. It also provides life insurance and covers medical insurance premiums for the spouses and dependents of retired police officers and firefighters. Long Beach has not set aside any assets to cover these benefits, which cost $3,781,814 in the 2019 fiscal year.

YAUCO, PUERTO RICO

Yauco is a *municipio* (municipality) in southwestern Puerto Rico. Its estimated 2019 population of 33,575 is 20 percent less than the 2010 level. It has a median household income of only $14,954, and almost half of the population lives in poverty.[35]

Yauco's unassigned general fund balance of −$11,118,641 on June 30, 2019, was an improvement over its prior-year balance. Although the municipio ran a large deficit, it deposited proceeds of a $3.4 million federal loan into its general fund during the 2019 fiscal year. To help Yauco address the after-effects of Hurricane Maria, the Federal Emergency Management Association provided a Community Disaster Loan with an interest rate of 2.75 percent. Community Disaster Loans provide funding for local governments to continue to operate after a substantial revenue loss caused by a disaster. The loan can be canceled "if a borrower can demonstrate that they have a cumulative 3-year operating deficit following the disaster and associate that deficit with a disaster-related loss in revenue."[36]

Auditors report that Yauco does not have proper documentation for interfund cash transactions, raising the possibility that other funds are being raided to pay general fund expenses. Since a large proportion of Yauco's non-general-fund revenue comes from federal grants, undocumented fund transfers might cause the municipio to run afoul of the federal departments overseeing grant funds.

Yauco's general fund revenues are at significant risk from COVID-19 due to reliance on both sales taxes and municipal license fees. Municipal license fees are essentially a business gross receipts tax, paid by firms with $3,000,000 or more in annual revenues. Auditors found that the municipio was using advanced collections of this fee to cover general fund operating costs in violation of Puerto Rico Commonwealth law, which requires future fiscal year tax revenues to be spent in that fiscal year.

Yauco is not the only Puerto Rico municipio facing fiscal difficulties. My data set includes 14 other municipios with negative assigned and unassigned balances, though Yauco's is the highest as a percentage of general fund expenditures. The island's largest city, San Juan, does not provide subclassifications of its unrestricted general fund balance. It reported total unrestricted general fund balances of −$181,456,575, or 44 percent of expenditures. Although the Puerto Rico Commonwealth has been operating under a bankruptcy framework similar to Chapter 9, no Puerto Rico local government has filed a bankruptcy petition.

With sharply reduced population in Yauco and other municipios, some level of Puerto Rico local government consolidation may become inevitable.

CONCLUSION

Although most local governments I reviewed entered the coronavirus recession with strong general fund reserves, more than 100 reported negative unassigned and assigned balances. Many of these entities are facing large reductions in revenues and are thus vulnerable to a fiscal crisis.

But most governments with a negative balance should get through the current downturn without filing a Chapter 9 bankruptcy petition, owing to strong municipal market liquidity and the possibility of support from the Federal Reserve, the federal government, or both.

As shown in the section on El Cerrito, a struggling California city was able to obtain one year of funding at an all-in cost of only 2.05 percent. This experience suggests that underwriters can find municipal bond investors willing to extend short-term credit even to "subprime" government borrowers.

Since the COVID-19 crisis began, the Federal Reserve implemented its Municipal Liquidity Facility (MLF). MLF is available to entities with low credit ratings, and, although eligibility is restricted to larger governments, states can borrow on behalf of smaller cities and towns.

The HEROES Act, which has been passed by the House of Representatives, would liberalize MLF terms and reduce the interest rates borrowers must pay. It also includes $915 billion in grants to state, territorial, and local governments. Although the bill is very unlikely to be passed by the Senate in its present form, some of its provisions seem likely to be enacted as of this writing.

Recent municipal bankruptcies have proved to be expensive. Detroit incurred nearly $178 million in legal and consulting fees in the aftermath of its 2013 Chapter 9 filing.[37] Smaller entities have paid $12 million or more to get through their municipal bankruptcy processes.[38]

Rather than shouldering these heavy legal costs, governments—and their creditors—will be tempted to muddle through the current crisis, relying on some combination of tax increases, spending cuts, forbearance, interfund borrowing, and support from higher levels of government.

Although these efforts may keep these governments out of the headlines, the news may not be good for residents. Governments muddling through a financial emergency are likely to be service insolvent (i.e., unable to afford acceptable levels of service). The result could well be more crime, slower emergency response, and more potholes.

Thousands of local governments across the United States have demonstrated an ability to build and maintain unrestricted general fund reserves for a crisis like the one America is now experiencing. The minority of governments that failed to do so may now muddle through, but citizens as well as state and federal oversight authorities should insist that they manage their affairs better during the next expansion.

ABOUT THE AUTHOR

Marc Joffe is a senior policy analyst at Reason Foundation. Previously, he worked as a senior director at Moody's Analytics and as the director of policy research at California Policy Center. His research has been published by the California State Treasurer's Office; the Mercatus Center at George Mason University; the Reason Foundation; the Haas Institute for a Fair and Inclusive Society at the University of California, Berkeley; and the Macdonald-Laurier Institute, among others. He has an MBA from New York University and an MPA from San Francisco State University.

NOTES

1. City of Detroit, *Comprehensive Annual Financial Report for the Year Ended June 30, 2012*, 2012.
2. Matthew Holian and Marc Joffe, "Assessing Municipal Bond Default Probabilities" (MPRA Paper No. 46728, Munich Personal RePEc Archive, Munich, Germany, April 30, 2013).
3. Evgenia Gorina, Marc Joffe, and Craig Maher, "Using Fiscal Ratios to Predict Local Fiscal Distress" (Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, 2018).
4. "Fund Balance Guidelines for the General Fund," Best Practices, Government Finance Officers Association, accessed July 20, 2020, https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund.
5. Governmental Accounting Standards Board, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB Statement No. 54, Governmental Accounting Standards Board, Norwalk, CT, February 2009).
6. Florida Auditor General, *Example Local Governmental Entity Financial Condition Assessment Indicators and Related Procedures*, December 2019, https://flauditor.gov/pages/pdf_files/appendixc.pdf, C-1, appendix C.
7. Ohio Auditor of State, *Financial Health Indicators: Description of the Indicators*, n.d., 11, https://www.ohioauditor.gov/FHI/fhi%20report%20descriptions.pdf.
8. "Documents and Reports," City of Compton, accessed July 20, 2020, http://www.comptoncity.org/depts/finance/docs.asp.
9. Milligan & Company, *City of Chester Financial Statements and Independent Auditor's Report for the Year Ended December 31, 2017*, June 25, 2020.
10. Local population and median household income statistics were obtained by conducting searches by jurisdiction name at Census Bureau (website), accessed June 20, 2020, http://www.census.gov.

11. Jonathan Rothbaum and Ashley Edwards, "US Median Household Income Was $63,179 in 2018, Not Significantly Different from 2017," *America Counts: Stories behind the Numbers*, Census Bureau, September 10, 2019.

12. "Century, Florida," Wikipedia, accessed July 20, 2020, https://en.wikipedia.org/wiki/Century,_Florida.

13. SEC Rule 15c2-12 requires reporting of "principal and interest payment delinquencies," but the reporting requirement falls on a bond's underwriter rather than the issuing government. 17 C.F.R. § 240.15c2–12 (2018). In fact, I could not find any information about the Century gas system revenue bonds on the Electronic Municipal Market Access system, even though all municipal bond debt should be reported to the Municipal Securities Rulemaking Board.

14. 2012 Florida statute 218.503 sets various criteria for a financial emergency, including "failure to transfer at the appro priate time, due to lack of funds," "taxes withheld on the income of employees," and "failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds." Fla. Stat. § 218.503 (2012).

15. Florida Legislature's Office of Economic and Demographic Research, *2018 Local Government Financial Information Handbook*, September 2018.

16. "Country Club Hills City," QuickFacts, Census Bureau, accessed July 20, 2020, https://www.census.gov/quickfacts/countryclubhillscityillinois.

17. S&P Global Ratings, "Country Club Hills, IL GO Bond Rating Lowered to 'BBB−' on Weaker Liquidity, Negative Fund Balance," January 30, 2020.

18. S&P Global Ratings, "Country Club Hills, IL 'BBB-' GO Debt Rating Withdrawn Due to Lack of Timely Information," June 2020.

19. Ben Bradley and Andrew Schroedter, "Chicago Area Governments Laying Off Workers as Revenues Fall amid Coronavirus," *WGN9*, May 21, 2020.

20. "Harvey—a City in Cook County," Illinois Comptroller's Office, accessed July 20, 2020, https://illinoiscomptroller.gov/financial-data/local-government-division/local-government-data/landingpage/?code=016/230/30&searchtype=AFRSearch&originalSearchString=Harvey%20-%20a%20City%20in%20Cook%20County%20-%20016/230/30.

21. Casey Toner, "An American Suburb, 2018," WBEZ, accessed July 20, 2020, https://interactive.wbez.org/dolton/.

22. City of El Cerrito, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019*, January 2020.

23. "California City & County Sales & Use Tax Rates," California Department of Tax and Fee Administration, last updated July 1, 2020, https://www.cdtfa.ca.gov/taxes-and-fees/rates.aspx.

24. California Local Government Finance Almanac, *California City Documentary and Property Transfer Tax Rates*, September 2019, http://www.californiacityfinance.com/PropTransfTaxRates.pdf.

25. Governmental Accounting Standards Board, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards" (GASB Statement No. 56, Governmental Accounting Standards Board, Norwalk, CT, March 2009).

26. "Fiscal Health of California Cities," California State Auditor, accessed July 20, 2020, https://www.auditor.ca.gov/bsa/cities_risk_index; "Regular Hearings 2019-2020," Joint Committee on Legislative Audit, California State Assembly, accessed July 20, 2020, https://legaudit.assembly.ca.gov/content/regular-hearings-2019-2020.

27. Municipal Securities Rulemaking Board, "City of El Cerrito, California 2020-21 Tax and Revenue Anticipation Notes (CA)," Electronic Municipal Market Access, July 2, 2020, https://emma.msrb.org/IssueView/Details/SS402046.

28. Author's analysis based on City of El Cerrito, *2020-21 Tax and Revenue Anticipation Notes*, June 2020.

29. "Long Beach City, New York," QuickFacts, Census Bureau, accessed July 20, 2020, https://www.census.gov/quickfacts/longbeachcitynewyork.

30. Joseph Kellard, "Hurricane Sandy Photos in Long Beach: Then and Now," *Patch*, October 29, 2013.

31. City of Long Beach, *Fiscal Year 2020-2021 Adopted Budget*, 2020.

32. City of Long Beach, *Bond Anticipation Notes – 2020 Series A and Bond Anticipation Notes – 2020 Series B*, January 2020, https://emma.msrb.org/ER1308960-ER1020120-ER1426012.pdf.

33. Moody's Investors Service "Rating Action: Moody's Downgrades Long Beach, NY's Rating to Baa2; Outlook Remains Negative," press release, February 20, 2019, https://www.moodys.com/research/Moodys-downgrades-Long-Beach-NYs-rating-to-Baa2-outlook-remains--PR_905709269.

34. Office of the New York State Comptroller, *Fiscal Stress Monitoring System: Municipalities in Stress Fiscal Years Ending 2019*, March 2020, https://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-04/2019-munis-stressed.pdf.

35. "Yauco Municipio, Puerto Rico," QuickFacts, Census Bureau, accessed July 20, 2020, https://www.census.gov/quickfacts/yaucomunicipiopuertorico.

36. Federal Emergency Management Agency, *Community Disaster Loan (CDL) Cancellations*, February 2019.

37. Karen Pierog and Lisa Lambert, "Fees, Expenses for Detroit Bankruptcy Hit Nearly $178 Million," *Reuters*, December 30, 2014.

38. Frank Shafroth, "The Daunting Costs of Municipal Bankruptcy," *Governing*, February 13, 2014.