Health Care

Name

Institution Affiliation

Health Care

The impact on New York City

Although New York State received assistance from the federal government and other parties, the financial crisis profoundly affected the state. To start with, New York State began to experience increased interest rates, and there was the emergence of the need for detailed financial disclosures.

Impact on other local governments

The situation also had an effect on regional states such as North Carolina. The New York City financial crisis led North Carolina to experience interest costs of $424000 on bonded indebtedness and $5.1 million in the life of municipal bonds (Smith & Lynch, 2003).

Impact on bond market and prospectus requirements

The crisis also affected the bond market in that most investors required more disclosure of details regarding the bonds and the community. This is in contrast to the earlier times where the state and local governments traded their bonds without disclosing much information.

What the New York City financial crisis indicated about the operational and capital budgeting processes

The New York City financial crisis revealed some aspects of its capital budgeting processes. The New York state was moving most of its costs from operating to capital budgets. Classifying band uniforms as capital budget items has a significant repercussion. This categorization can result in the distortion of the view of capital items such that there occurs two operating budgets with one of them being funded through debt (Smith & Lynch, 2003). As a result, there are fewer finances for budget demands, more state resources utilized for debt retirement, and the misuse of bonding.

Ultimately, the debt becomes overwhelming such that the government fails to fulfill its payments and the community is left susceptible to management bankruptcy. Conventionally, debt is used to fund items that have the same life expectancy as the debt payments (Smith & Lynch, 2003). This strategy restricts the abuse of debt financing and secures the debt from political influence because future taxpayers are aware of the ways they gain from choosing to borrow to finance items.

What New York City government can do to anticipate and remedy financial crisis

For the New York City government to anticipate and solve future financial crises, it has to respect the importance of cautious intentional actions and planning in capital budgeting. This implies that they require planning to combine capital items with the rest of the community's physical structure. Moreover, it is vital that they have capital improvement proposals to organize the tasks by physical plans, time, and funding prospects.

When there are building projects included in capital budgeting, the procedure of implementing decisions should involve a review of construction financing, site selection and acquisition, and planning and design (Smith & Lynch, 2003). The government should avoid postponements because they will result in increased development expenses particularly higher labor costs. Additionally, the rising operating and maintenance costs encountered because of the new facility is an essential issue that should be deliberated on in the planning phase. It is a common occurrence for communities to establish facilities that they are unable to finance or sustain like arenas.

The impact on Orange County

The Orange County financial crisis had significant consequences on the state. The municipal market was lucky as investors did not desert it because they perceived Orange County as the safest location for investment. Secondly, the only interest rates that surged were those of California issuers. Many Orange County investors responded to the situation by obtaining portfolio insurance (Smith & Lynch, 2003). The negative impact of the crisis was that the county's voters refused to allow a half-cent increment in Orange County's sales tax that would have solved the debt problem. However, the county redirected other revenues to debt, drastically reduced services, and refinanced parts of its debt.

Impact on local government

Moreover, the predicament had an effect on other local governments like California State government. The taxpayers of California were impacted as they shall have to pay huge sums for the debt service in the future.

Impact on bond and prospectus requirements

The Orange County financial crisis had no impact on the bond and prospectus requirements. Luckily, investors did not require much information to trade on bonds (Doty, 2012).

What the Orange County financial crisis implied about the operational and capital budgeting processes

The financial crisis Orange County experienced displayed various aspects of its operational processes. There were expenditure discrepancies where the current costs considerably surpassed current revenues in a single fiscal period. What is more, there existed regular trends of current costs topping current revenue by small increments for some years (Smith & Lynch, 2003). There were also unexpected extensive declines in the assessed value for surprising reasons. Moreover, there were superfluities in the current operating liabilities over the current assets.

What Orange County government can do to anticipate and remedy financial crisis

First, Orange County has to realize that it has a problem with its operating capital budgeting processes. Secondly, it has to have a firm resolution to publicize the crisis to the public and the financial community. The solution that usually applies to such a scenario is the elimination of disparities between expenditures and revenues (Smith & Lynch, 2003). Regularly, the right answer is to establish ways to defend against the overuse of short-term operating funds. Additionally, the government can decide to finance the retirement system efficiently. Significant enhancements must be made in municipal reporting and accounting systems because they lack systems that reveal issues to policy makers at the right time (Smith & Lynch, 2003). The state can also form administrative bodies to help local governments that are in crisis. The court can also instruct that local governments experiencing crisis find consultants and, if required, plan for direct pacts with creditors. If the crisis persists, the state can resolve to compel specific solutions for a local government.

References

Doty, R. (2012). The diversity of municipal bonds and what you need to know about risks. Retrieved from http://www.aaii.com/journal/article/the-diversity-of-municipal-bonds-and-what-you-need-to-knowabout-risks

Smith, R. W., & Lynch, T. D. (2003). *Public budgeting in America*. Upper Saddle River, NJ: Prentice Hall.