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0 ou 0,0 figure smaller than half the value of the last digit to the right.

* preliminary data.

An hyphen (-) between years (1970-1975) indicates the total of years, including the first and the last. A slash (/) between years indicates the yearly average of such years, including the first and the last, or harvest-year or agreement-year, according to the text.

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Foreword

The institutionalization of the Banco Central do Brasil Technical Notes, conducted by the Economic Department, promotes the dissemination of works featuring economic content, attracting both theoretical and methodological interest, giving a view of the short-term developments of the economy and reflecting the work of the Bank's employees in all areas of action. Besides, other works, though external to the Banco Central, may be included in this series provided the Bank has afforded institutional support to their preparation.

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Fiscal Situation of the State of São Paulo Municipalities (1997 to 2000)

GLAUCUS BERNARDINO ALVES¹

1. Introduction

This Note introduces general data related to fiscal conditions of the State of São Paulo Municipalities, with the exception of the capital city, with the aim of portraying the economic dimension of the public bodies involved.

The direct administration of public bodies in the State of São Paulo exhibited in 2000 an aggregate budget of R\$65.5 billion (excepting transfers from the State to Municipalities, this total reaches R\$56.1 billion), of which R\$40.7 billion (R\$31.3 billion, excluding transfers) of the State government, R\$7.9 billion of the capital city and R\$16.9 billion of the remaining Municipalities. The State government had a Net Current Revenue (RCL) of R\$30.3 billion, the capital city, R\$7.7 billion and the remaining Municipalities, R\$16.4 billion. In the aggregate, total RCL of all such public bodies of the State of São Paulo reaches R\$54.4 billion.

The budget size of the State of São Paulo public bodies represents 5% of Brazilian GNP and 14% of the State production, corresponding to 35% of the set of regional budgets.

2. Indices and methodology

The 2000 data have their origin in a publication, made by the State Audit Court in the State of São Paulo Official Gazette. It shall be stressed that these are preliminary, unaudited data. Figures for 1997, 1998 and 1999 were obtained on the website of the Audit Court, but also may not be taken as final.

The information made available by the Audit Court is not complete, making calculation of fiscal indicators – the primary result of public bodies, for instance – unfeasible.

Despite the limitations, we may have an overview of the fiscal condition of the State of São Paulo Municipalities. Since data were made available in an individual basis, different forms of consolidation are possible, and the criterion selected for this note was the number of inhabitants.

According to this criterion, the 644 Municipalities were divided into 4 groups: up to 20,000 inhabitants (comprising 412 Municipalities), from 20,000 to 50,000 (117), from 50,000 to 100,000 (54) and above 100,000 (61).

As there are restrictions in the form of displaying the information and different criteria of data for 2000 as against other periods, we define the following indices as the ones to be analyzed.

¹/ Economist of the Domestic Public Debt Department.

- **Total debt/net current revenue (RCL)**

Data on net current revenue are available for the year 2000 only, since the Fiscal Responsibility Law (LRF), which had introduced this concept, became effective on May of that year. For 1997, 1998 and 1999 we used Current Income, the value of which is very close to that of RCL and hence does not distort the index.

- **Personnel expenditure/income**

Personnel expense is the most relevant item of public expenditure. Then, it came to be monitored with great attention by analysts and legislation – as in recent past by the so-called Camata law, and currently by the Fiscal Responsibility Law.

For this index, there are data from 1997 to 2000.

- **Current transfer income/total current income**

Index used to gauge the degree of reliance of Municipalities on State and Federal Government transfers.

For this index, there are data from 1997 to 1999.

- **Government credits/net current revenue (RCL)**

This item conveys the public body aggregate receivables in comparison with its revenue – a possible additional collection of funds with no tax increase.

- **Available cash and bank deposits (-) payable balances**

Under the Fiscal Responsibility Law, this amount could not be in the negative, since in this case expenses would have been shifted to the following fiscal year without the necessary coverage of funds.

- **Precatory order debts/net current revenue (RCL)**

This index shows the share of judicial debts of the public body as a share of RCL.

Data on Government Credits, Available Cash, Payable Balances and Debts in Precatory Orders are available only for the year 2000.

3. Analysis of indices

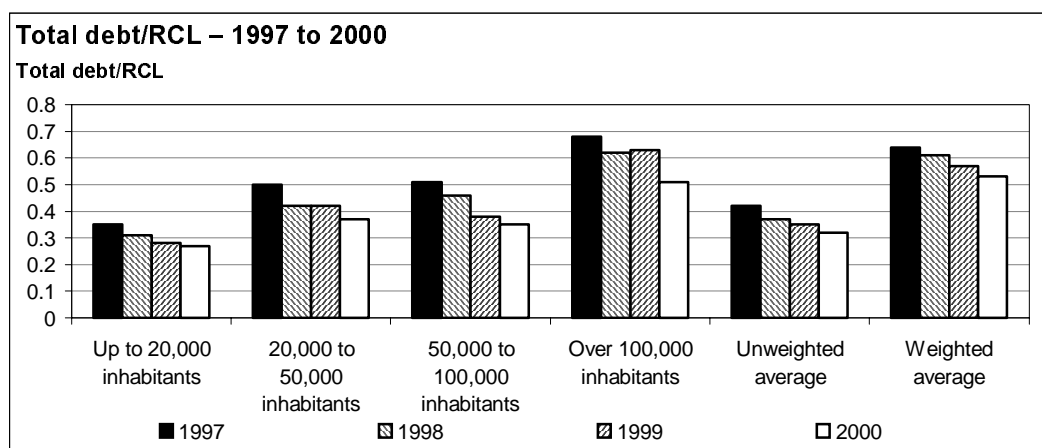
• Total debt²/net current revenue (RCL)

Over the four past years, one identifies a reduction in the share Debt/RCL for the State of São Paulo Municipalities. The average index (unweighted by economic size) reduced to 0.32 in 2000, from 0.42 in 1997. When considering the average index weighted by the respective budgets, the same pattern emerges, with the share being reduced to 0.53, from 0.64.

The improvement of the index is constant and generalized. Constant because it reduces every year (0.42 in 1997, 0.37 in 1998, 0.35 in 1999, and 0.32 in 2000) and generalized because both smaller and larger Municipalities display the same pattern. Municipalities with up to 20,000 inhabitants reduced to 0.27, from 0.35 (23% less), while large Municipalities with over 100,000 inhabitants exhibited a downward slope to 0.51, from 0.68 (drop of 25%). Average-sized Municipalities displayed a similar path, dropping to 0.36, from 0.50, for a reduction of 28%.

From a total of 644 Municipalities, 454 (70%) exhibited a reduction in the Debt/RCL ratio between 1997 and 2000, 145 (23%) experienced an increase and 45 (7%) kept the ratio at the same level.

Total debt/RCL – 1997 to 2000				
Municipalities	1997	1998	1999	2000
Up to 20,000 inhabitants	0.35	0.31	0.28	0.27
20,000 to 50,000 inhabitants	0.50	0.42	0.42	0.37
50,000 to 100,000 inhabitants	0.51	0.46	0.38	0.35
Over 100,000 inhabitants	0.68	0.62	0.63	0.51
Unweighted average	0.42	0.37	0.35	0.32
Weighted average	0.64	0.61	0.57	0.53



2/ The concept of total debt includes both long-term and short-term state debt.

The change in the Debt/RCL ratio was basically caused by a 63.9% increase in income (24.5% real increase, adjusted for inflation by the average General Price Index – Domestic Supply – IGP-DI average) between 1997 and 2000.

Regarding the debt, it contributed to reduce the index, since the nominal increase of 34.2% over the period represents a stabilization of the debt in real terms (increase of 0.2%, adjusted for inflation by IGP-DI).

However, one shall notice that this debt stability occurs only in quantitative terms. The balance between short and long-term debts was considerably changed over the period, mainly from 1999 to 2000. In 1997, short-term debt was 61% of total debt, and this share reduced to 40% in 2000 (in 1999 the share was 57%). The cause of this change is the Fiscal Responsibility Law, which severely limited the practice of leaving balances payable in the subsequent fiscal year, the main item of short-term debt.

Regarding long-term debt, a 144% (real 82% adjusted for inflation by IGP-DI) increase took place between 1997 and 2000. As this is basically the interest-accruing debt, one may actually say that the fiscal conditions of the State of São Paulo Municipalities did not improve over the period, since the ratio Long-term Debt/RCL increased to 0.32, from 0.25.

Despite this increase in long-term debt, one shall bear in mind that the level of indebtedness of the State of São Paulo Municipalities is low, since just 4% (5% in 1997) of Municipalities have debts in excess of Net Current Revenue and in 18% (28% in 1997) of the cases; the debt is above half of RCL (see table next page).

The data on the Debt/RCL ratio suggest that the size of a Municipality is proportional to its level of indebtedness. This suggests greater ability of larger Municipalities in being granted loans and being financed, given their greater ability to generate funds and availability of collaterals.

Total debt/RCL – Aggregate percentages – 1997 to 2000			
1997	> 0,3	> 0,5	> 1,0
Up to 20,000 inhabitants	49%	21%	2%
20,000 to 50,000 inhabitants	57%	36%	9%
50,000 to 100,000 inhabitants	63%	37%	9%
Over 10,000 inhabitants	89%	51%	18%
Unweighted average	56%	28%	5%
1998	> 0,3	> 0,5	> 1,0
Up to 20,000 inhabitants	40%	16%	2%
20,000 to 50,000 inhabitants	51%	31%	6%
50,000 to 100,000 inhabitants	68%	34%	4%
Over 10,000 inhabitants	82%	48%	17%
Unweighted average	48%	24%	4%
1999	> 0,3	> 0,5	> 1,0
Up to 20,000 inhabitants	32%	14%	3%
20,000 to 50,000 inhabitants	52%	29%	4%
50,000 to 100,000 inhabitants	57%	22%	2%
Over 10,000 inhabitants	82%	51%	16%
Unweighted average	43%	21%	4%
2000	> 0,3	> 0,5	> 1,0
Up to 20,000 inhabitants	32%	12%	3%
20,000 to 50,000 inhabitants	50%	26%	5%
50,000 to 100,000 inhabitants	40%	19%	2%
Over 10,000 inhabitants	72%	40%	9%
Unweighted average	40%	18%	4%

TOTAL debt/RCL – 1997

	Up to 20,000 inhabitants			20,000 to 50,000 inhabitants			50,000 to 100,000 inhabitants			Over 100,000 inhabitants			Total		
	Quantity	Percentages	On available data	Quantity	Percentages	On available data	Quantity	Percentages	On available data	Quantity	Percentages	On available data	Quantity	Percentages	On available data
Zero	4	1%	1%	2	2%	2%	1	2%	2%	1	2%	2%	8	1%	1%
To 0.1	54	13%	13%	11	9%	9%	4	7%	7%	1	2%	2%	70	11%	11%
To 0.2	79	19%	19%	14	12%	12%	6	11%	11%	2	3%	3%	101	16%	16%
To 0.3	70	17%	17%	23	20%	20%	9	17%	17%	3	5%	5%	105	16%	16%
To 0.4	68	17%	17%	10	9%	9%	4	7%	7%	10	16%	16%	92	14%	14%
To 0.5	46	11%	11%	15	13%	13%	10	19%	19%	13	21%	21%	84	13%	13%
To 0.6	38	9%	9%	11	9%	9%	4	7%	7%	6	10%	10%	59	9%	9%
To 0.7	16	4%	4%	7	6%	6%	4	7%	7%	6	10%	10%	33	5%	5%
To 0.8	13	3%	3%	5	4%	4%	4	7%	7%	2	3%	3%	24	4%	4%
To 0.9	5	1%	1%	4	3%	3%	2	4%	4%	2	3%	3%	13	2%	2%
To 1.0	6	1%	1%	5	4%	4%	1	2%	2%	4	7%	7%	16	2%	2%
To 1.1	1	0%	0%	4	3%	3%	1	2%	2%	2	3%	3%	8	1%	1%
To 1.2	2	0%	0%	2	2%	2%	1	2%	2%	2	3%	3%	4	1%	1%
To 1.3		0%	0%	1	1%	1%		0%	0%	1	2%	2%	2	0%	0%
To 1.4		0%	0%		0%	0%		4%	4%	2	3%	3%	4	1%	1%
To 1.5	2	0%	0%	1	1%	1%		0%	0%	1	2%	2%	4	1%	1%
To 1.6	1	0%	0%		0%	0%	1	2%	2%	1	2%	2%	3	0%	0%
To 1.7	1	0%	0%	1	1%	1%		0%	0%		0%	0%	2	0%	0%
To 1.8		0%	0%		0%	0%		0%	0%		0%	0%	0	0%	0%
To 1.9		0%	0%		0%	0%		0%	0%	1	2%	2%	1	0%	0%
To 2.0		0%	0%		0%	0%		0%	0%	1	2%	2%	1	0%	0%
> 2.0	2	0%	0%	1	1%	1%	1	2%	2%	2	3%	3%	6	1%	1%
No data	4	1%		0	0%		0	0%		0	0%		4	1%	
Total	412	100%		117	100%		54	100%		61	100%		644	100%	
Average	0.35			0.50			0.51			0.68			0.42		

TOTAL debt/RCL – 1998

	Up to 20,000 inhabitants		20,000 to 50,000 inhabitants		50,000 to 100,000 inhabitants		Over 100,000 inhabitants		Total	
	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages
	On total	On available data	On total	On available data	On total	On available data	On total	On available data	On total	On available data
Zero	11	3%	2	2%	1	2%	1	2%	15	2%
To 0.1	64	16%	10	9%	2	4%	0	0%	76	12%
To 0.2	99	24%	21	18%	6	11%	2	3%	128	20%
To 0.3	67	16%	24	21%	8	15%	8	13%	107	17%
To 0.4	53	13%	12	10%	13	24%	9	15%	87	14%
To 0.5	43	10%	11	9%	5	9%	11	18%	70	11%
To 0.6	20	5%	9	8%	6	11%	6	10%	41	6%
To 0.7	18	4%	6	5%	5	9%	6	10%	35	5%
To 0.8	11	3%	4	3%	3	6%	3	5%	21	3%
To 0.9	6	1%	5	4%	1	2%	3	5%	15	2%
To 1.0	2	0%	5	4%	1	2%	1	2%	9	1%
To 1.1	4	1%	2	2%	1	2%	3	5%	10	2%
To 1.2		0%	3	3%		0%	1	2%	4	1%
To 1.3	1	0%	1	1%		0%		0%	2	0%
To 1.4	2	0%		0%		0%		0%	2	0%
To 1.5		0%		0%		0%	4	7%	4	1%
To 1.6	1	0%		0%		0%		0%	1	0%
To 1.7		0%		0%		0%		0%	0	0%
To 1.8		0%		0%		0%		0%	0	0%
To 1.9		0%		0%		0%	1	2%	1	0%
To 2.0	1	0%		0%		0%	1	2%	2	0%
> 2.0		0%	1	1%	1	2%		0%	2	0%
No data	9	2%	1	1%	1	2%	1	2%	12	2%
Total	412	100%	117	100%	54	100%	61	100%	644	100%
Average	0.31		0.42		0.46		0.62		0.37	

TOTAL debt/RCL – 1999

	Up to 20,000 inhabitants		20,000 to 50,000 inhabitants		50,000 to 100,000 inhabitants		Over 100,000 inhabitants		Total	
	Quantity	Percentages On total On available data	Quantity	Percentages On total On available data	Quantity	Percentages On total On available data	Quantity	Percentages On total On available data	Quantity	Percentages On total On available data
Zero	9	2% 2%	2	2% 2%	2	4% 4%	0	0% 0%	13	2% 2%
To 0.1	74	18% 19%	9	8% 8%	4	7% 8%	2	3% 3%	89	14% 14%
To 0.2	109	26% 28%	26	22% 23%	8	15% 16%	3	5% 5%	146	23% 24%
To 0.3	76	18% 19%	18	15% 16%	8	15% 16%	5	8% 9%	107	17% 17%
To 0.4	36	9% 9%	15	13% 13%	11	20% 22%	7	11% 11%	69	11% 11%
To 0.5	35	8% 9%	12	10% 10%	7	13% 14%	11	18% 19%	65	10% 10%
To 0.6	25	6% 6%	2	2% 2%	3	6% 6%	6	10% 11%	36	6% 6%
To 0.7	15	4% 4%	12	10% 10%	4	7% 8%	6	10% 11%	37	6% 6%
To 0.8	5	1% 1%	5	4% 4%	2	4% 4%	5	8% 9%	17	3% 3%
To 0.9	1	0% 0%	5	4% 4%	1	2% 2%	2	3% 4%	9	1% 1%
To 1.0		0% 0%	4	3% 3%		0% 0%	1	2% 2%	5	1% 1%
To 1.1	2	0% 1%		0% 0%		0% 0%	1	2% 2%	3	0% 0%
To 1.2	1	0% 0%	1	1% 1%		0% 0%	1	2% 2%	2	0% 0%
To 1.3	3	1% 1%	1	1% 1%		0% 0%	2	3% 3%	6	1% 1%
To 1.4	1	0% 0%		0% 0%		0% 0%	2	3% 4%	3	0% 0%
To 1.5		0% 0%	1	1% 1%		0% 0%	3	5% 5%	4	1% 1%
To 1.6	1	0% 0%		0% 0%		0% 0%		0% 0%	0	0% 0%
To 1.7		0% 0%		0% 0%		0% 0%		0% 0%	3	0% 0%
To 1.8	2	0% 1%	1	1% 1%		0% 0%		0% 0%	0	0% 0%
To 1.9		0% 0%		0% 0%		0% 0%		0% 0%	0	0% 0%
To 2.0		0% 0%		0% 0%		0% 0%		0% 0%	0	0% 0%
> 2.0	1	0% 0%	1	1% 1%	1	2% 2%	1	2% 2%	4	1% 1%
No data	16	4%	2	2%	3	6%	4	7%	25	4%
Total	412	100%	117	100%	54	100%	61	100%	644	100%
Average	0.28		0.42		0.38		0.63		0.35	

TOTAL debt/RCL – 2000

	Up to 20,000 inhabitants		20,000 to 50,000 inhabitants		50,000 to 100,000 inhabitants		Over 100,000 inhabitants		Total	
	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages
	On total	On available data	On total	On available data	On total	On available data	On total	On available data	On total	On available data
Zero	5	1%	0	0%	1	2%	1	2%	7	1%
To 0.1	99	24%	21	18%	8	15%	5	8%	133	21%
To 0.2	82	20%	16	14%	4	7%	4	7%	106	16%
To 0.3	64	16%	19	17%	15	28%	6	10%	104	16%
To 0.4	44	11%	15	13%	5	9%	13	21%	77	12%
To 0.5	29	7%	12	10%	5	9%	5	8%	51	8%
To 0.6	15	4%	6	5%	3	6%	7	11%	31	5%
To 0.7	8	2%	8	7%	2	4%	2	3%	20	3%
To 0.8	9	2%	7	6%	2	4%	3	5%	21	3%
To 0.9	3	1%	1	1%	1	0%	4	7%	8	1%
To 1.0	4	0%	1	1%	1	2%	2	3%	4	1%
To 1.1	1	0%	3	3%	0	0%	1	2%	8	1%
To 1.2	1	0%	2	2%	0	0%	1	2%	4	1%
To 1.3	1	0%	1	0%	0	0%	1	2%	2	0%
To 1.4	1	0%	1	1%	0	0%	1	2%	2	0%
To 1.5	1	0%	0	0%	0	0%	0	0%	1	0%
To 1.6	1	0%	0	0%	0	0%	0	0%	0	0%
To 1.7	1	0%	0	0%	0	0%	0	0%	1	0%
To 1.8	1	0%	0	0%	0	0%	0	0%	1	0%
To 1.9	0	0%	0	0%	0	0%	1	2%	1	0%
To 2.0	0	0%	0	0%	0	0%	0	0%	0	0%
> 2.0	1	0%	0	0%	1	2%	0	0%	2	0%
No data	44	11%	5	4%	7	13%	4	7%	60	9%
Total	412	100%	117	100%	54	100%	61	100%	644	100%
Average	0.27		0.37		0.35		0.51		0.32	

Government credit/RCL – 2000

	Up to 20,000 inhabitants		20,000 to 50,000 inhabitants		50,000 to 100,000 inhabitants		Over 100,000 inhabitants		Total	
	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages	Quantity	Percentages
	On total	On available data	On total	On available data	On total	On available data	On total	On available data	On total	On available data
Zero	3	1%	1	1%	1	2%	1	2%	6	1%
To 0.1	319	77%	39	33%	14	26%	7	11%	379	59%
To 0.2	62	15%	40	34%	16	30%	12	20%	130	20%
To 0.3	13	3%	22	19%	11	20%	16	26%	62	10%
To 0.4	5	1%	2	2%	6	11%	5	8%	18	3%
To 0.5	3	1%	4	3%	3	0%	5	8%	12	2%
To 0.6	2	0%	3	3%	3	6%	6	10%	14	2%
To 0.7		0%	0	0%	1	2%	1	2%	2	0%
To 0.8		0%	0	0%	0	0%	2	3%	2	0%
To 0.9		0%	0	0%	0	0%	2	3%	2	0%
To 1.0		0%	1	1%	0	0%	1	2%	2	0%
To 1.1		0%	0	0%	0	0%	0	0%	0	0%
To 1.2		0%	0	0%	0	0%	0	0%	0	0%
To 1.3		0%	1	1%	1	2%	0	0%	2	0%
To 1.4		0%	0	0%	0	0%	1	2%	1	0%
To 1.5	1	0%	1	1%	0	0%	1	2%	3	0%
To 1.6		0%	0	0%	0	0%	0	0%	0	0%
To 1.7		0%	0	0%	0	0%	0	0%	0	0%
To 1.8		0%	0	0%	0	0%	1	2%	1	0%
To 1.9		0%	1	1%	0	0%	0	0%	1	0%
To 2.0		0%	1	1%	0	0%	0	0%	1	0%
> 2.0	2	0%	1	1%	1	2%	0	0%	4	1%
No data										
Total	2	0%	0	0%	0	0%	0	0%	2	0%
Average	412	100%	117	100%	54	100%	61	100%	644	100%
	0.10		0.24		0.26		0.39		0.17	

• Government credit/net current revenue (RCL)

In 2000, Government Credit of the State of São Paulo Municipalities, except the capital city, totaled R\$5.2 billion. This figure corresponds to 85% of Long-term Debt (R\$6.1 billion) and 60% of Total Debt (R\$8.6 billion). Adding to Government Credit the figure of R\$900 billion of Available Cash, we can see that the Net Long-term Debt is null and Net Total Debt is R\$2.5%, corresponding to just 15% of Net Current Revenues.

Government credit/RCL – 2000	
Municipalities	2000
Up to 20,000 inhabitants	0.10
20,000 to 50,000 inhabitants	0.24
50,000 to 100,000 inhabitants	0.26
Over 100,000 inhabitants	0.39
Unweighted average	0.17
Weighted average	0.32

Therefore, if Government Credit is highly recoverable, one may reach the conclusion that the São Paulo State Municipalities will not be in problem on account of their indebtedness.

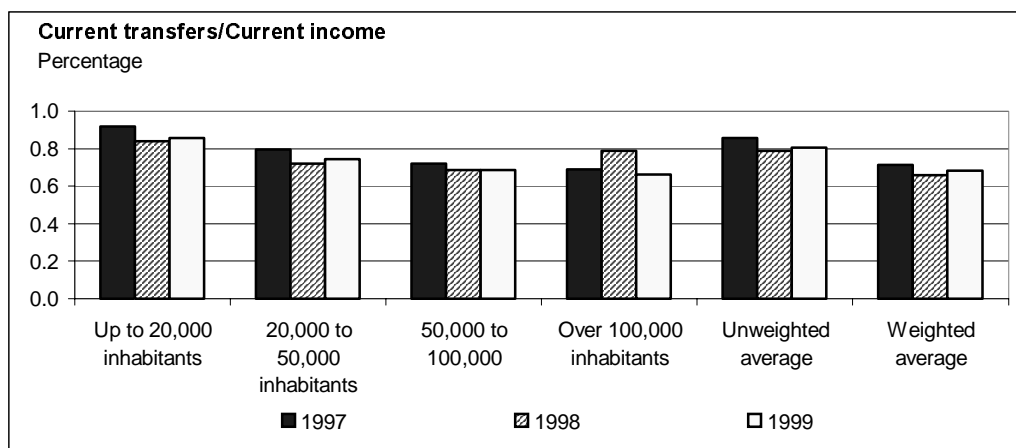
Then, as in the case of Total Debt, the ratio Government Credit/RCL keeps a strong correlation with the Municipality size (in smaller Municipalities the ratio is 0.10, while in larger ones this ratio reaches 0.39).

This correlation is likely to be explained by two factors. First, larger Municipalities have a larger proportion of revenues generated by themselves (34%, as against 14% of smaller Municipalities) and, therefore, have higher probability of being affected by defaulting taxpayers. Besides, larger Municipalities can rely, in general, on a more efficient legal structure, more able to enforce Government Credits.

• Current transfer revenue/total current revenue

The State of São Paulo Municipalities became less dependent between 1997 and 1999 from transfers from the State and Federal Governments. The proportion was reduced to 80.4%, from 85%, considering the unweighted average, and to 68.1%, from

Current transfers/Current revenue			
Municipalities	Percentages		
	1997	1998	1999
Up to 20,000 inhabitants	91.7	83.9	85.7
20,000 to 50,000 inhabitants	79.6	72.1	74.5
50,000 to 100,000	72.0	68.7	68.5
Over 100,000 inhabitants	68.8	65.9	66.1
Unweighted average	85.6	78.8	80.4
Weighted average	71.4	65.9	68.1



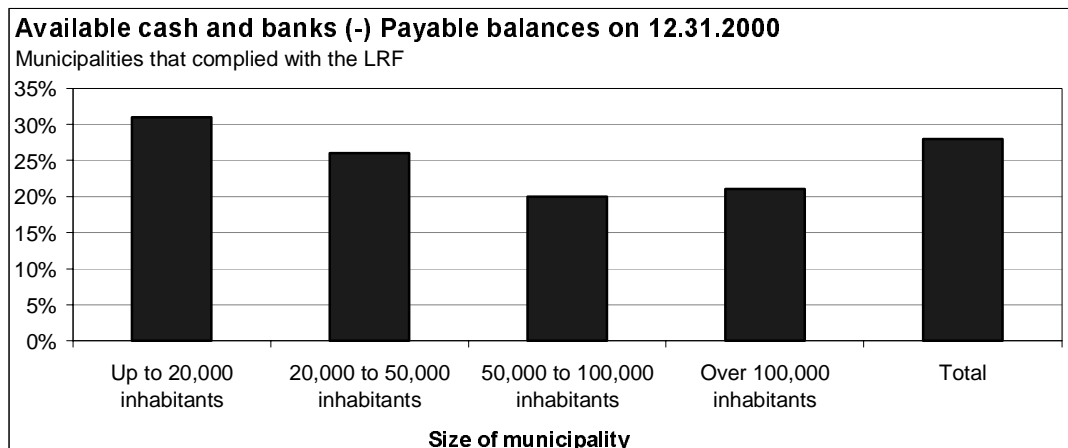
71.4%, taking the average weighted by the budget sizes. It shall be stressed that this is not a trend, since the 1999 figures are lower than the 1999 ones.

There is a strong correlation between the size of the Municipality and its reliance on transfers. The larger the Municipality, the less it relies on income from transfers, given that its ability to collect taxes is higher.

• Available cash and banks (-) payable balances

Under the Fiscal Responsibility Law, this figure could not assume negative values, since this would mean that expenditures of one fiscal year are being transferred to the subsequent fiscal year without the necessary coverage of funds.

Available cash and banks (-) Payable balances on 12.31.2000								
Municipalities	Quantity				Percentage			
	Positive	Negative	No data	Total	Positive	Negative	No data	Total
Up to 20,000 inhabitants	127	283	2	412	31	69	0	100
20,000 to 50,000 inhabitants	31	84	2	117	26	72	2	100
50,000 to 100,000 inhabitants	11	43	0	54	20	80	0	100
Over 100,000 inhabitants	13	48	0	61	21	79	0	100
Total	182	458	4	644	28	71	1	100



However, one can see that, for the year 2000, the majority of the São Paulo State Municipalities (71%) failed to observe this requirement. The larger Municipalities (over 50,000 inhabitants) exhibited the poorest results: about 80% had insufficient available cash. In contrast, among Municipalities with less than 20,000 inhabitants, 69% had balances to pay higher than cash availabilities.

• Personnel expenses/revenue

One may see that the share of personnel expenses is reducing as a proportion of revenues over the past four years. This share, that was 51.5% in 1997, decreased to 46.4% in 2000.

In principle, the Fiscal Responsibility Law has not caused this drop, since the reduction was under way before the Law became effective (in 1998, the proportion was 48.8% and, in 1999, 47.7%). Therefore, the most likely is that the so-called Camata Law is responsible for the reduction, though the Fiscal Responsibility Law, for having the same logic of that Law, is a good substitute for maintaining the observed path.

Using 2000 data, we may see that just 5% of Municipalities fail to comply with the 60% ceiling of the Fiscal Responsibility Law, being the greater concentration (8%) among larger Municipalities.

One may notice that the percentage of personnel expenditures to revenue does not depend on the size of the Municipality, being 46% the average for both large and middle-sized ones.

Personnel expenses/income – 2000									
Municipalities	Quantity				Percentage				Average
	> 60%	< 60%	No data	Total	> 60%	< 60%	No data	Total	
Up to 20,000 inhabitants	18	365	29	412	4	89	7	100	46
20,000 to 50,000 inhabitants	5	108	4	117	4	92	3	100	47
50,000 to 100,000 inhabitants	2	48	4	54	4	89	7	100	46
Over 100,000 inhabitants	5	50	6	61	8	82	10	100	46
Total	30	571	43	644	5	89	7	100	46

• Precatory debt/new current revenue (RCL)

The Precatory Debt informed by the State of São Paulo Municipalities amounts to R\$1.3 billion, corresponding to 8% of the respective Net Current Revenue. However, it shall be stressed that some Municipalities have not informed such figures, and the greater concentration of such non-reporting Municipalities is among those with over 100,000 inhabitants. Campinas, Osasco, Santos and Diadema (which together represent about 10% of the RCL of the Municipalities of the State of São Paulo, except the Capital City) are examples of public bodies that failed to report their Precatory Debts.

4. Final considerations

Regarding indebtedness, it can be said that, in general, the fiscal condition of the São Paulo State Municipalities is good. They feature low total indebtedness (0.53 of RCL) and, when just the Long-term Debt is considered, on which interests accrue, the proportion to Net Current Revenue is 0.32.

Besides, the Net Long-term Debt is null, since the summation of Government Credit and Available Cash results in a value equivalent to that of Long-term Debt, suggesting that, in case the rate of recovery of Government Credits is satisfactory, the fiscal condition of the São Paulo State Municipalities is quite comfortable.

It shall be stressed that this conclusion holds for an aggregate analysis, and one may not discard the possibility that several Municipalities may be in a severely unfavorable condition.

One can also see that Municipalities are largely reliant on income from transfers coming from the State of São Paulo and the Federal Government. The Municipalities Own Revenue represents just 32% of Current Revenue.

We also analyzed the degree of compliance with two items of the Fiscal Responsibility Law: Personnel Expenditure/Revenue; and Available Cash (-) Balances Payable.

Regarding Personnel Expense, one notices that just 5% of the Municipalities failed to comply with the limit of 60% of Income, being 46% the average.

Conversely, just 28% of Municipalities exhibited Available Cash higher than last year's Balances Payable; therefore, almost $\frac{3}{4}$ failed to comply with this LRF requirement.