

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
MAY 2021 BUDGET MONITORING REPORT
July 7, 2021**

Overview

Starting in May of each year, Erie County publishes its Budget Monitoring Report (BMR). The document delineates county revenues and spending vs its budget spread, generally monthly. In 2020, the ECFSA changed its reporting on the County's financial position to focus on revenue shortfalls not covered by federal COVID relief funding.

In 2021, the combination of additional Erie County federal funding of \$178.4 million, the New York State retraction of 20% reductions in local government aide, an increased economic activity brought about by a combination of lessening COVID health restrictions and an infusion of \$1.9 trillion in nationwide federal stimulus dollars has brought the current fiscal year closer to the norm.

Therefore, the ECFSA will go back to reporting on all major revenue and expense items in the county's \$1.49 billion budget that can have a material impact in the county's finances, such as:

- **Sales Tax Revenues** – At just over \$457.5 million, sales tax revenues are the largest single source of income for the county, encompassing 31% of the operating budget. Prior to the pandemic, the 2020 county budget included \$491.3 million in sales tax revenues. The 2021 budget has been reduced by \$33.8 million (6.9%).
- **State Aide** – At \$154.6 million, state-aide is the fourth largest revenue source in the county operating budget –10.4% of operating revenues. Prior to the pandemic, the 2020 county budget included \$184.4 million in state-aide. The 2021 budget has been reduced by \$29.9 million (16%).
- **Appropriated Fund Balance** - For 2021 the county has appropriated \$10 million from its accumulated fund balance to be used as revenue to offset anticipated county spending – up from \$3 million in 2020. The 2021 budget has been increased by \$7 million (233%).
- **Salaries** – The county has budgeted \$242.5 million for personnel in 2021, including a \$3,665,142 reduction for the value of positions kept vacant

during the year. The corresponding 2020, pre-pandemic personnel figure was just over \$255.3 million. The corresponding vacancy figure for 2020 was \$1,800,000. The 2021 budget has decreased by \$12.8 million (5%).

- **Fringe Benefits** – The county has budgeted \$128.3 million in fringe benefits for 2021, down from \$136.1 million in the 2020 (5.8%) pre-pandemic budget.
- **Overtime** – The county has budgeted \$13.1 million for overtime expense in 2021. The 2020 pre-pandemic overtime budget was \$19.1 million. The 2021 budget has decreased by \$6 million (31%).
- **Contractual Services** – The county has budgeted over \$517.2 million for contractual services in 2021, down from \$541.5 million in the 2020 pre-pandemic budget, a \$24.3 million (4.5%) difference. In 2021 the largest portion of this spending is \$349 million in sales tax transfers to local governments.
- **Program Specific** - The county has budgeted \$455.5 million in program expenses for 2021, down from \$509.7 million in the pre-pandemic 2020 budget, a \$54.2 million (10.6 %) difference.

The largest item in this category is \$178.4 million for Medicaid Local Share payments, down from \$199.2 million in the 2020 pre-pandemic budget, a \$20.8 million (10.4%) difference.

This expense group also includes \$28 million in Disproportionate Share (DSH) payments to ECMC, down from \$52 million in the pre-pandemic 2020 budget, a \$24 million (46%) difference and Upper Payment Limit (UPL) expenses of \$8.3 for ECMC, down from \$9.6 million (13.5%) in the 2020 pre-pandemic budget.

Specific Items

1. **Sales Tax Revenues** – Through May, sales tax revenues are running \$24.3 million (13%) ahead of budget. The ECFSA tracks sales tax cash receipts on a regular basis. Through early July, year-to-date, the county has received \$45,431,574 (28.35%) more this year than the same period in 2020.
2. **Federal COVID Funding (American Rescue Program - ARP)** – Erie County was allocated \$178.4 million in federal COVID funding in recently passed legislation. The county received \$89.2 million in ARP funding in early May.

3. **State aide** – Through May 2021, the county is reporting a \$33,102,640 surplus in this account. The county reduced its 2021 pre-pandemic state aid budget by \$29.9 (16%) million, in anticipation of an approximate 20% reduction in state-aide, due to lower than anticipated NYS revenues.

Recently passed federal COVID legislation, allocating funds for various sectors/recipients, including state and local governments, eliminated the state's need for local aide cuts. Thereby resulting in this surplus for Erie County and other local governments that had prudently lowered their state revenue budgets to account for the original 20% NYS reduction.

4. **Appropriated Fund Balance** – Through May 2021, the county has not used any of the appropriated \$10 million fund balance as a revenue to balance its finances. With the infusion of federal COVID dollars and the retraction of NYS revenue cuts, it is anticipated the county will not need to use any of the fund balance to balance its budget in 2021.
5. **Salaries** - Salary expenses through May 2021 are running \$4.45 million (4%) below budget. The county has done a good job in keeping a significant number of full-time positions vacant, while not negatively impacting overtime expense (more on this in the “overtime” section of the report). In 2021, the levels have consistently been in the 200 to 240 range. Consequent net savings (after allowing for lost reimbursements) are in the \$7 million range. The County's turnover budget for 2021 is \$3.6 million, up from \$1.8 million in the pre-pandemic 2020 budget.
6. **Fringe Benefits** - The county is currently showing a \$4.2 million positive variance, which is 8% of the period budget. The county does not sufficiently break out individual components to allow a reasonable analysis of this set of accounts.
7. **Overtime** – Through May 2021, the county is running a deficit of \$964,593 in this account, representing a negative variance of 15.8% of budget. The county reduced its 2021 budget by \$6 million as compared to its 2020 pre-pandemic budget (\$19.1 million - \$13.1 million). If this trend continues, the county will end the year with a \$2.074 million deficit in this account.
8. **Contractual Services** – Through May 2021, the county is running a negative variance of \$14.99 million in this account, representing 7% of budget. This deficit is primarily the result of an additional \$17.88 million in revenue neutral sales tax receipts in excess of budget that are expensed against the 2021 county budget. There appear to be no major issues with this account for the first quarter of 2021.

9. **Program Specific** – Through May 2021, the county is running a surplus of \$8.6 million in this account. There appear to be no major issues with this account for the first quarter of 2021.

Summary

Through May, there appear to be no significant fiscal issues for the county related to the 2021 budget. With the retraction of the 20% cut in state aid and \$178.4 million in federal COVID dollars appropriated, the county's 2021 budget is in good shape. However, there are still several items that bear watching:

- Sales tax revenues are running well ahead of last year's cash receipts thus far, but sales tax receipts, traditionally, have had high variability over time.
- Despite a lessening pandemic, most Health and Human Services programs are underspending their budgets. At some point, federal COVID funding will be reduced or end and those needing assistance will require the safety net provided through the county.
- Overtime, with this year's budget reduction, is running over county forecasts and bears watching for the remainder of the year.

At this point, the 2021 budget is balanced, and it is anticipated the county's budget will remain in balance for fiscal year 2021.