

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
OCTOBER 2021 BUDGET MONITORING REPORT
December 10, 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 \$1.57 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, the initial 2021 state-aid budget was the fourth largest revenue source in the county operating revenues –10.4% of operating revenues. Prior to the pandemic, the 2020 county budget included \$184.4 million in state-aid. The 2021 budget was initially reduced by \$29.9 million (16%). With subsequent NYS restorations, the budget has been upped to \$190 million, a \$5.6 million (3%) increase over 2020.
- **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 initially 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, a \$12.8 million (5%) reduction. The corresponding vacancy figure for 2020 was \$1,800,000. The revised 2021 budget is \$253.8 million.
- **Fringe Benefits** – The county initially budgeted \$128.3 million in fringe benefits for 2021, down from \$136.1 million in the 2020 (5.8%) pre-pandemic budget. The revised 2021 budget of \$130.7 million has increased by \$2.4 million over the initial 2021 budget.
- **Overtime** – The county originally budgeted \$13.1 million for overtime expense in 2021. The 2020 pre-pandemic overtime budget was \$19.1 million. Prior to revisions, the 2021 budget decreased by \$6 million (31%). The revised 2021 budget of \$15.2 million decreased by \$3.9 million as compared to the pre-pandemic figure.
- **Contractual Services** – The county originally 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. The revised 2021 budget of \$525.3 million decreased by \$16.2 million as compared to the pre-pandemic figure.
- **Program Specific** - The county originally 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 county has not changed this budget in the revised version.

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 October, sales tax revenues are running \$76.9 million (20.67%) ahead of budget. The ECFSA tracks sales tax cash receipts on a regular basis. Through the first part of December, year-to-

date, the county has received \$75,154,473 (20.18%) 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 this year. The county received \$89.2 million in ARP funding in early May and expects the remainder in May of 2022.
3. **State aide** – Through October 2021, the county is reporting a \$12,383,450 (7.86%) surplus in this account, even after increasing its current year revenue budget by \$35.4 million (from \$154.6 to \$190 million).
4. **Appropriated Fund Balance** – Through October 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 October 2021 are running \$5.96 million (2.99%) 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 340 to 380 range. Consequent net savings (after allowing for lost reimbursements) are in the \$9-11 million range. The County’s current turnover budget for 2021 is \$1.64 million, down from \$1.8 million in the pre-pandemic 2020 budget.
6. **Fringe Benefits** - The county is currently showing a \$5 million positive variance, which is 4.86% 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 October 2021, the county is running a deficit of \$2,533,342 in this account, representing a negative variance of 19.14% of budget. The 2021 county revised budget increased its current year allocation by \$2.1 million (\$15.2 – \$13.1 million). Despite this increase, the county is still running a deficit in this account. The negative variance in dollars and as a percentage are worsening. If this trend continues, the county will end the year with a \$2.9 million deficit in this account.
8. **Contractual Services** – Through October 2021, the county is running a negative variance of \$53.67 million in this account, representing 12.58% of budget. This deficit is a result of an additional \$56.58 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 at this time.

9. **Program Specific** – Through October 2021, the county is running a surplus of \$27.99 million in this account, primarily due to surpluses in six health and human services accounts (list and budget surplus as follows):

Medicaid - \$2,185,489
Family Assistance – \$5,548,691
CSW Foster Care – \$6,132,026
Safety Net – \$7,078,263
Child Care CCBG – \$1,511,306
Serv. Spec Needs children - \$3,977,353

There appear to be no major issues with this account through October of 2021.

Erie County Year-end Forecast

Based on year-to-date financials, Erie County is forecasting a budget surplus of \$149,787,813. Major elements in this positive variance include:

Sales Tax - \$89,087,805
Fund Balance - \$10,000,000 remains unused
Net Salaries - \$12,265,862
Fringe Benefits - \$8,810,632
Program Specific - \$37,678,356

The current anticipated surplus is \$8.98 million greater than the September BMR forecast. The major difference is in Program Spending, which is anticipated to come in at \$9.43 million less than the previous forecast.

Based upon currently available trends, none of these positive variances appear to be unreasonable.

Summary

Through October 2021, 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 the addition of federal COVID dollars, 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.
- The negative variance in overtime is accelerating. Even with this year's recent upward budget revision, it 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.