

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
APRIL 2022 BUDGET MONITORING REPORT
June 5, 2022**

Overview

Through the January 1st, through April 30th, 2022, reporting period, the county’s finances continue the 2021 trend of stability in a post-pandemic environment, because of good financial management and increases in certain revenues. Sales tax revenues continue the precipitous rise that began in 2021. The county received \$89.1 million in American Rescue Plan (ARP) funding this month, and, after a years-long stalemate, the county received over \$16 million in Seneca Related Casino Revenues - an income source that should continue.

Through April 2022, the county’s fiscal position is better than it was on April 30, 2021:

Net Financial Position

	<u>April 30, 2022,</u>	<u>April 30, 2021,</u>	<u>Change</u>
Revenues	\$821,585,267	\$693,166,363	\$128,418,904
Expenses	<u>\$570,755,937</u>	<u>\$467,323,413</u>	<u>\$103,432,524</u>
Net	\$250,829,330	\$225,842,950	\$ 24,986,380

In 2022, the county’s net financial position is \$25 million better than it was at the same time in 2021. The \$250.8 million April 30th surplus should not be seen as an indicator of the county’s Y/E 2022 financial position because county revenues are front-loaded, with the receipt of virtually all property taxes in the first quarter of the year.

The ECFSA will report on all major revenue and expense items in the county’s \$1.9 billion budget (which is up from \$1.68 billion since the last report due to 2021 re-appropriations) that can have a material impact in the county’s finances, such as:

- **Sales Tax Revenue** – At just over \$549 million, sales tax revenue is the largest single source of income for the county, encompassing 33% of the operating budget. The 2021 budget included \$457,552,159 in sales tax revenues. The 2022 sales tax revenue budget is \$91.6 million (20%) higher than the 2021 amount.
- **State Aide** – At \$188.69 million, state-aide is 13% of operating revenues. The 2022 state revenue budget is \$34.17 million (22%) higher than the 2021 amount.

- **Appropriated Fund Balance** – For 2022, the county appropriated no fund balance as a revenue. In 2021 the county appropriated \$10 million.
- **Salaries** – The county has budgeted \$266.2 million for personnel in 2022, including a \$1.3 million reduction for the value of positions kept vacant during the year. The corresponding 2021 personnel figure was just over \$242.4 million. The corresponding vacancy figure for 2021 was \$3.6 million. The 2021 budget has increased by \$23.8 million (9.8%).
- **Fringe Benefits** – The county has budgeted \$143.4 million in fringe benefits for 2022, up \$15.1 million (11.7%) from \$128.3 million in 2021.
- **Overtime** – The county has budgeted almost \$17.8 million for overtime expense in 2022. The 2021 overtime budget was \$13.1 million. The 2022 budget has increased by \$4.7 million (36%).
- **Contractual Services** – The county has budgeted over \$626.1 million for contractual services in 2022, up from \$518.2 million in 2021, a \$107.9 million (20.8%) difference. In 2022 the largest portion of this spending is \$416.4 million in sales tax transfers to the NFTA and local governments.
- **Program Specific** - The county has budgeted \$489.4 million in program expenses for 2022, up from \$455.4 million in 2021, a \$34 million (7.5%) difference.

The largest item in this category is \$189.7 million for Medicaid Local Share payments, up from \$178.4 million in 2021, a \$11.3 million (6.3%) difference.

This expense group also includes \$48.6 million in Disproportionate Share (DSH) payments to ECMC, up \$20.6 million (74%) from the \$28 million appropriation in 2021. There is a \$4.1 million (49%) decrease in the Upper Payment Limit (UPL) expense of \$4.2 for ECMC, down from \$8.3 million in 2021.

Specific Items

1. **Sales Tax Revenues** – Through April, the county is reporting a \$21,375,099 (13%) surplus in this account. The ECFSA tracks sales tax on a payment-by-payment basis. Year-to-date through May of this year, receipts are running \$24,998,603 (22.16%) ahead of last year. With current inflation rates, unless the economy experiences a recession/depression, sales tax revenues should remain well above the county's budget expectations.
2. **Other Source Revenues** – Erie County is showing a \$17,143,996 (124%) budget surplus in this general account. This surplus is driven by the unbudgeted receipt of \$16,050,531 in Gaming Facilities Aide related to the State's collection of previously

disputed Seneca Gaming Revenue. It is anticipated that additional revenues will be received by the county.

3. **Salaries** - Salary expenses through April are running \$2,750,594 (3%) 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 2022, the levels have consistently been in the 300 to 340 range. Consequent net savings (after allowing for lost reimbursements) are in the \$10 million range. The County’s turnover budget for 2022 is \$1.3 million, down from \$3.6 million in 2021.
4. **Fringe Benefits** - The county is currently showing a \$4,140,307 (9%) positive variance. The county does not sufficiently break out individual components to allow a reasonable analysis of this set of accounts.
5. **Overtime** – Through April, the county is running a deficit of \$1,590,940 (28.1%) in this account. In the March BMR, the deficit was \$874,256. It has increased by \$716,684 (82%) in one month.

The county increased its 2022 budget by \$4.7 million as compared to its 2021 budget (\$17.8 million - \$13.1 million). If this trend continues, the county will end the year with a \$4.99 million deficit in this account. It is assumed that most of that deficit will occur in the County’s Jail Management Division.

The Sheriff recently made a presentation to the Legislature, indicating he would reduce overtime and sick time usage with the addition of several full-time positions within the Jail Management Division. A specific proposal is forthcoming.

6. **Contractual Services** – Through April, the county is running a negative variance of \$12,61,692 (6%) in this account. The driver of this negative variance is the county’s allocation of additional sales tax receipts to the NFTA and municipalities within its jurisdiction in the amount of \$14,502,502. These sales tax transfers are revenue neutral.
7. **Program Specific** – For the first four months of 2022, the county is running a positive variance of \$5,464,211 in this account. Within the program set of accounts, the following are showing surpluses contributing to the positive variance:

MMIS – Medicaid Local	\$ 849,088
Family Assistance	\$ 225,830
CWS Foster Care	\$2,654,783
Safety Net Assist.	\$1,092,694
Emergency Assist – Adult	\$ 273,528
Child Care – CCBG	\$ 336,807

Summary

Through April, there appear to be no significant fiscal issues for the county related to the 2022 budget. Sales tax revenues remain strong. The county has received \$89.1 million in American Rescue Plan (ARP) revenues this month and overdue casino related revenues have been received and are anticipated to continue. However, there are still several issues that bear watching:

- There is an expectation that the economy will enter a recession (if it's not already in one). With a recession, there is a potential of decreased revenues (especially sales tax) and an increased usage of county health and human services programs.
- SUNY Erie, though it has its own budget, could become problematic for the county. Erie County is the local sponsor for the College and could be called upon, at some point, for additional funding, should College finances worsen.
- Overtime, despite this year's budget increase, is running over county forecasts (and worsening, month-over-month) and bears watching for the remainder of the year.

At this point, the 2022 budget is balanced, and it is anticipated the county's budget will remain in balance for fiscal year 2022.