

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
MAY 2022 BUDGET MONITORING REPORT
July 7, 2022**

Overview

Through the January 1st, through May 31st, 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 are still running ahead of budget, despite slowing increases in receipts. The county received \$89.1 million in American Rescue Plan (ARP) funding last 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 May 2022, the county’s fiscal position is slightly better than it was in May 2021:

Net Financial Position

	<u>May 31, 2022,</u>	<u>May 31, 2021,</u>	<u>Change</u>
Revenues	\$942,164,698	\$813,809,357	\$128,355,341
Expenses	<u>\$722,522,485</u>	<u>\$600,093,932</u>	<u>\$122,428,553</u>
Net	\$219,642,213	\$213,715,425	\$ 5,926,788

In 2022, the county’s net financial position is \$5.9 million better than it was at the same time in 2021. The \$219.6 million May 31st 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, 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 \$192.2 million, state-aide is 11% of operating revenues. The 2022 state revenue budget is \$37.62 million (24.3%) 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 \$265.5 million for personnel in 2022, including a \$532,126 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 2022 budget has increased by \$23.1 million (9.5%).
- **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 \$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 \$630 million for contractual services in 2022, up from \$518.3 million in 2021, a \$111.7 million (21.5%) 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 May, the county is reporting a \$21,134,236 (10%) surplus in this account. The ECFSA tracks sales tax on a payment-by-payment basis. Year-to-date through the beginning of July this year, receipts are running \$20,831,828 (10.13%) ahead of last year. However, the last two sales tax payments have brought down the surplus in this account significantly. The last June amount was \$10,872,593 (35.1%) less than last year at this time and the first July receipt was only up \$1,060,791 (5.32%) as compared to the comparable 2021 transfer. The county may be experiencing the inevitable “regression to the mean” with regard to the unprecedented increase in sales tax revenues, experienced over the last year and a half.

2. **Other Source Revenues** – Erie County is showing a \$7,440,849 (28%) budget surplus in this general account. This surplus is driven by the surplus of \$6,456,328 in (previously unbudgeted) 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 May are running \$4,388,419 (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 2022, the levels have been in the 300 to 340 range. Consequent net savings (after allowing for lost reimbursements) are in the \$10 million range. The turnover budget for 2022 is \$532,126, down from \$3.6 million in 2021.
4. **Fringe Benefits** - The county is currently showing a \$5,762,116 (10%) positive variance. The county does not sufficiently break out individual components to allow a reasonable analysis of this set of accounts.
5. **Overtime** – Through May, the county is running a deficit of \$2,226,326 (31%) in this account. In the April BMR, the deficit was \$1,590,940. It has increased by \$635,386 (40%) 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 \$5.52 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 May, the county is running a negative variance of \$7,177,908 (3%) in this account. The driver of this deficit is the county’s allocation of additional sales tax receipts to the NFTA and municipalities within its jurisdiction. The negative variance is \$13,033,826. These sales tax transfers are revenue neutral.
7. **Program Specific** – For the first five months of 2022, the county is running a positive variance of \$6,877,292 in this account. Within the program set of accounts, the following are showing surpluses contributing to the positive variance:

MMIS – Medicaid Local	\$ 3,217,316
Family Assistance	\$ 220,936
CWS Foster Care	\$2,184,847
Safety Net Assist.	\$1,304,698
Emergency Assist – Adult	\$ 299,941
Child Care – CCBG	\$ 326,696

Summary

Through May, there are four issues that appear to be looming for the county in balancing its 2022 budget, and one general issue:

- Sales tax revenues, after meteoric rises over the last year and a half, are reverting to more normal levels. Payments received into the first part of July are still running 10% ahead of the same period in 2021. However, recent receipts are not maintaining previous increase trends. Despite this regression-to-the-mean, the county's sales tax budget still appears achievable, given that 2022 projections assumed only a 1% increase over 2021 receipts.
- 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.
- 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.
- 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 (among other costs).

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