

**ERIE COUNTY FISCAL STABILITY AUTHORITY  
ANALYSIS OF THE ERIE COUNTY  
MAY 2023 BUDGET MONITORING REPORT  
July 15, 2023**

**Overview**

Through the January 1, 2023 – May 31, 2023, reporting period, the county’s finances remain stable. Sales tax, the county’s largest single source revenue is running 2% ahead of budget for the period. However, recent sales tax receipts have returned to more historical trends. Cash receipts received by the ECFSA are running 3.16% ahead of last year at this time.

Though May 31st of 2023, the county’s fiscal position is slightly worse than it was on May 31, 2022:

**Net Financial Position**

|          | <u>May 31, 2023,</u> | <u>May 31, 2022,</u> | <u>Change</u>       |
|----------|----------------------|----------------------|---------------------|
| Revenues | \$941,784,154        | \$942,164,698        | (\$ 380,544)        |
| Expenses | <u>\$805,185,047</u> | <u>\$722,522,485</u> | <u>\$82,662,562</u> |
| Net      | \$136,599,107        | \$219,642,213        | (\$83,043,106)      |

In 2023, the county’s net financial position is \$83 million worse than it was at the same time in 2022. The \$136.6 million June 31<sup>st</sup> surplus should not be seen as an indicator of the county’s Y/E 2023 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 \$2.04 billion budget that can have a material impact in the county’s finances, such as:

- **Sales Tax Revenues** – At just over \$583 million, sales tax revenues are the largest single source of income for the county, encompassing 33% of the operating budget. The 2022 budget included \$549 million in sales tax revenues. The 2023 sales tax revenue budget is \$34 million (6.2%) higher than the 2022 amount.

- **State Aide** – At \$215.5 million, state-aide is 12% of operating revenues. The 2023 state revenue budget is \$23.3 million (12%) higher than the 2022 amount.
- **Appropriated Fund Balance** – For 2023, the county appropriated no fund balance as a revenue.
- **Salaries** – The county has budgeted \$303.4 million for personnel in 2023, including a \$114,874 reduction for the value of positions kept vacant during the year. The corresponding 2022 personnel figure was \$265.5 million. The corresponding vacancy figure for 2022 was \$532,126. The 2023 budget has increased by \$37.1 million (14%).
- **Fringe Benefits** – The county has budgeted \$146 million in fringe benefits for 2023, up \$2.6 million (1.8%) from \$143.4 million in 2022.
- **Overtime** – The county has budgeted \$18.8 million for overtime expense in 2023. The 2022 overtime budget was \$17.8 million. The 2023 budget has increased by \$1 million (5.6%).
- **Contractual Services** – The county has budgeted \$675.4 million for contractual services in 2023, up from \$630 million in 2022, a \$45.4 million (7.2%) difference. In 2023 the largest portion of this spending is \$441.6 million in sales tax transfers to the NFTA and local governments.
- **Program Specific** - The county has budgeted \$579.3 million in program expenses for 2023, up from \$489.4 million in 2022, an \$89.9 million (18.4%) difference.

The largest item in this category is \$190.5 million for Medicaid Local Share payments, up slightly from \$189.7 million in 2022.

This expense group also includes \$91 million in Disproportionate Share (DSH) payments to ECMC, up \$42.3 million (87%) from the \$48.7 million appropriation in 2022. There is a \$2.5 million (62%) increase in the Upper Payment Limit (UPL) expense of \$6.8 million for ECMC, up from \$4.2 million in 2022.

## **Specific Items**

1. **Sales Tax Revenues** – Through May, the county is reporting a \$5,571,247 (2%) surplus in this account. The ECFSA tracks sales tax on a payment-by-payment basis. Year-to-date through July of this year, receipts are running \$7,529,516 (3.16%) ahead of last year. Earlier in the year, the county enjoyed a \$9.3 million increase using year-to-year actual comparisons.

Sales tax revenues are no longer maintaining the meteoric rises that have occurred over the last two years. Five of the last nine sales tax payments are below 2022 receipts for the same period.

2. **Other Source Revenues** – Erie County is showing a \$11,907,424 (61%) budget surplus in this general account. This variance is driven by an excess in Interest and Earnings accounts of \$9,172,169, due to rising interest rates.
3. **Salaries** - Salary expenses through May are running \$4,659,914 (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 2023, the levels have consistently been in the 220 to 240 range. Consequent net savings (after allowing for lost reimbursements) are in the \$13 million range. The County’s turnover budget for 2023 is \$114,874, down from \$532,126 in 2022.
4. **Fringe Benefits** - The county is currently showing a \$4,018,285 (7%) 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 of 2023, the county is running a deficit of \$4,358,622 (54.66%) in this account. The county increased its 2023 budget by \$1 million as compared to its 2022 budget (\$18.8 million - \$17.8 million). If this trend continues, the county will end the year with a \$10.2 million deficit in this account. It is assumed that most of that deficit will occur in the County’s Jail Management Division.
6. **Contractual Services** – Through May of 2023, the county is running a minute negative variance of \$873,684 (0.3%) in this account. There are three drivers to this virtual zero variance, the county’s allocation of additional sales tax receipts to municipalities within its jurisdiction in the amount of \$4,853,579 (negative) and positive variances of \$5,015,180 in Non-profit purchase of services and \$1,537,026 in Professional services and fees. The sales tax transfers are revenue neutral.

7. **Program Specific** – For the first 5 months of 2023, the county is running a positive variance of \$743,381 in this account. Within the program set of accounts, the following are showing surpluses contributing to the minute positive variance:

|                    |             |
|--------------------|-------------|
| Family Assistance  | \$4,143,583 |
| CWS Foster Care    | \$3,834,738 |
| Safety Net Assist. | \$1,645,227 |

These positive variances are offset by the following negatives.

|                    |             |
|--------------------|-------------|
| Child Care – CCBG  | \$8,647,270 |
| HEAP Program Costs | \$ 468,147  |

### **Summary**

Through May, the budget is balanced. However, there are still several issues that bear watching:

- The largest general issue is that the economy is slowing, precipitated, in part, by a series of interest rate increases by the Federal Reserve.
- As a result of a slowing economy, sales tax revenues are flattening, with year-over-year cash receipts up 3.16% through July of 2023, with 5 of the last 9 sales tax distributions coming in short of last year’s amounts.
- Some Health and Human Services programs are showing negative variances for the first third of the year and there is a potential for state program revenue rollbacks that could impact the county.
- 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 (small) budget increase, is running over county forecasts and bears watching for the remainder of the year and continues to worsen.

Despite these issues, it is anticipated the county’s budget will remain in balance for fiscal year 2023.

