

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
JUNE 2023 BUDGET MONITORING REPORT
August 17, 2023**

Overview

Through the January 1, 2023 – June 30, 2023, reporting period, the county’s finances remain stable. Sales tax, the county’s largest single source revenue is running 4% ahead of budget for the period, according to the county’s BMR. Sales tax cash receipts received by the ECFSA are running 3.66% ahead of last year at this time.

Though June 30th of 2023, the county’s fiscal position is slightly worse than it was at the end of June 2022:

Net Financial Position

	<u>June 30, 2023,</u>	<u>June 30, 2022,</u>	<u>Change</u>
Revenues	\$1,073,771,062	\$1,061,528,686	\$12,242,376
Expenses	<u>\$ 943,610,947</u>	<u>\$ 846,210,715</u>	<u>\$97,400,232</u>
Net	\$ 130,160,115	\$ 215,317,971	(\$85,157,856)

In 2023, the county’s net financial position is \$85 million worse than it was at the same time in 2022. The \$130.5 million June 30th 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 \$216.7 million, state-aid is 12% of operating revenues. The 2023 state revenue budget is \$24.1 million (12.5%) 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, 8The corresponding 2022 personnel figure was \$272.1 million. The 2023 budget has increased by \$31.3 million (11.5%).
- **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 \$677.7 million for contractual services in 2023, up from \$631.9 million in 2022, a \$45.8 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 million in program expenses for 2023, up from \$489.4 million in 2022, an \$89.6 million (18.3%) 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 June, the county is reporting a \$12,707,119 (4%) surplus in this account. The ECFSA tracks sales tax on a payment-by-payment basis. Year-to-date through August of this year, receipts are running \$10,474,664 (3.65%) ahead of last year.

Sales tax revenues are no longer maintaining the meteoric rises that have occurred over the last two years. They have returned to historical increases.

2. **Other Source Revenues** – Erie County is showing a \$13,480,544 (58%) budget surplus in this general account. This variance is driven by an excess in Interest and Earnings accounts of \$9,883,494, due to rising interest rates.
3. **Salaries** - Salary expenses through June are running \$9,065,030 (7%) 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. .
4. **Fringe Benefits** - The county is currently showing a \$2,617,590 (4%) positive variance. The county does not sufficiently break out individual components to allow a reasonable analysis of this set of accounts.
5. **Overtime** – Through June of 2023, the county is running a deficit of \$5,773,994 (61.47%) 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 \$11.5 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 June of 2023, the county is running a negative variance of \$6,428,524 (2%) in this account. There are three drivers to this variance, the county’s allocation of additional sales tax receipts to municipalities within its jurisdiction in the amount of \$9,996,149 (negative) and positive variances of \$1,166,000 in Non-profit purchase of services and \$3,580,453 in Professional services and fees. The sales tax transfers are revenue neutral.
7. **Program Specific** – For the first 6 months of 2023, the county is running a positive variance of \$1,755,591 (1%) in this account. Within the program set of accounts, the following are showing surpluses contributing to this positive variance:

MMIS Local Share	\$3,438,616
Family Assistance	\$5,148,054
CWS Foster Care	\$6,199,406
Safety Net Assist.	\$1,865,096

These positive variances are offset by the following negatives.

Child Care – CCBG	\$10,909,383
Serv. Spec.Needs Children	\$ 3,832,861

Summary

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

- The largest general issue is that the economy is slowing slightly, precipitated, in part, by a series of interest rate increases by the Federal Reserve.
- As a result of a more normal economy, sales tax revenues have returned to historical increases.
- Some Health and Human Services programs are showing negative variances through June.
- 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 61% 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.