ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
OCTOBER 2023 BUDGET MONITORING REPORT
December 20, 2023

Overview

Through the January 1, 2023 – October 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, according to the county's BMR. Sales tax cash receipts received by the ECFSA are running 2.4% ahead of last year at this time. The county has updated its year-end 2023 financial forecast in this version of the BMR.

Though October of 2023, the county's fiscal position is worse than it was at the end of October 2022:

Net Financial Position

	October 31, 2023	October 31, 2022	Change
Revenues	$1,597,032,327	$1,577,189,529	$ 19.842,798
Expenses	$1,565,989,289	$1,400,265,451	$165,723,838
Net	$ 31,043,038	$ 176,924,078	($145,881,040)

In 2023, the county's net financial position is $145.9 million worse than it was at the same time in 2022. The $31 million October 31st 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 $2.05 billion budget that can have a material impact in the county's finances, such as:

- ***Sales Tax Revenues*** – At $583.5 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 $34.5 million (6.2%) higher than the 2022 amount.

- ***State Aide*** – At $221 million, state-aide is 12% of operating revenues. The 2023 state revenue budget is $27.4 million (14.1%) higher than the 2022 amount.

- ***Appropriated Fund Balance*** – For 2023, the county appropriated no fund balance as a revenue.

- ***Salaries*** – The county has budgeted $302.5 million for personnel in 2023. The corresponding 2022 personnel figure was $272 million. The 2023 budget has increased by $30.5 million (11.2%).

- ***Fringe Benefits*** – The county has budgeted $145.8 million in fringe benefits for 2023, up $2.7 million (1.9%) from $143.1 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 $687.7 million for contractual services in 2023, up from $635.9 million in 2022, a $51.8 million (8.1%) 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 $575 million in program expenses for 2023, up from $488.7 million in 2022, an $86.3 million (17.7%) difference.

  The largest item in this category is $186.4 million for Medicaid Local Share payments, down from $188.9 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 October, the county is reporting a $10,404,536 (2%) surplus in this account. The ECFSA tracks sales tax on a payment-by-payment basis. Year-to-date through December of this year, receipts are running $11,711,459 (2%) ahead of last year.

   Sales tax revenues have returned to more historical trends in 2023, after meteoric increases in previous years.

2. ***Other Source Revenues*** – Erie County is showing a $36,292,415 (103%) budget surplus in this general account. This variance is driven primarily by an excess in Interest and Earnings accounts of $17,848,838, due to higher interest rates and an excess of $11,456,835 (1,403%) in refunds of prior year expenses.

3. ***Salaries*** - Salary expenses through October 2023 are running $2,858,063 (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 $6,450.357 (5%) positive variance. The county does not sufficiently break out individual components to allow a reasonable analysis of this set of accounts.

5. ***Overtime*** – Through October of 2023, the county is running a deficit of $12,378,916 (79%) 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 $14.9 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 October of 2023, the county is running a negative variance of $7,110,333 (1%) in this account. The county’s allocation of additional sales tax receipts to municipalities within its jurisdiction in the amount of $7,973,577 is the driver for this account deficit. The sales tax transfers are revenue neutral.

7. ***Program Specific*** – For the first ten months of 2023, the county is running a negative variance of $2,178,476 (1%) in this account. Within the program set of accounts, the following are showing deficits contributing to this variance:

MMIS – Medicaid	$ 733,984
Child Care – CCBG	$20,730,745
Serv. Spec.Needs Children	$ 718,147

These negative variances are offset by the following positives.

Family Assistance	$ 5,154,632
CWS Foster Care	$ 9,466,447
Safety Net Assist.	$ 5,372,469

Year-end 2023 Forecast

The county has included an updated 2023 year-end forecast in its October Budget Monitoring Report. Highlights Include:

- The county is anticipating a $22,409,555 budget surplus at the end of the year (up slightly from last month's figure of $20,679,910), prior to any spending adjustments in the period between December 31st, 2023, and when the county's books are closed in 2024. In the recent past, the county has allocated significant portions of anticipated surpluses to pre-pay subsequent year's expenses or for necessary and desired programs.

- The county is assuming a $30.6 million (5%) surplus in sales tax revenues for the year. Given that receipts through October are running $10.4 million (2%) ahead of budget, it may be difficult to achieve that level of surplus.

- Other Revenue Sources are assumed to end 2023 with a $32.7 million (75%) surplus. Given the current $28.2 million (103%) surplus in this account (primarily due to high interest rates and prior year refunds). This forecast appears to be reasonable and potentially could show a greater positive variance by year-end.

- Salaries are assumed to have a $15.5 million surplus. Given the current surplus of $15.2 million, this forecast does not appear unreasonable.

- The county is assuming a $14.3 million deficit in non-salaries (primarily overtime). Given the current $12.4 million deficit in the account, that forecast does not appear unreasonable.

- The county is assuming an $8 million deficit in fringe benefits. Given the current $6.5 million surplus in the account and the anticipated $12.7 million 2023 pension liability related to a recent jail deputy labor agreement, that forecast appears to be reasonable.

- The county is forecasting a $20.3 million deficit in the contractual account. This amount appears to be conservative, given the current deficit of $8.4 million in the sales tax to local governments and NFTA (that encompass the largest part of that expense group).

- The county is forecasting a $39.6 million deficit in the Program Specific account. This amount appears to be conservative, given the current $2.1 million deficit.

Summary

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

- New York State has announced a spending freeze that could impact state mandates and program reimbursements to the county.

- As a result of a more normal economy, sales tax revenues have returned to historical trends.

- Some Health and Human Services programs are showing negative variances through October.

- 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 79% 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.