

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
APRIL 2024 BUDGET MONITORING REPORT
June 18, 2024**

Overview

Through the January 1, 2024 – April 30, 2024, reporting period, the county’s finances are stable. However, sales tax, the county’s largest single source revenue is running \$6 million (3%) below budget for the period, according to the county’s BMR. Sales tax cash receipts received by the ECFSA are running \$4.3 million (2.33%) behind last year at this time.

In addition to the current sales tax shortfall, in April, the county lost a \$95 million wrongful death lawsuit, with the possibility of an additional, \$5 million in punitive damages. This court action could have a material impact on the county’s future finances.

County officials and legal counsel have decided to appeal the ruling with the assumption that the amount would be reduced and the recording of a liability on its profit and loss statement would be delayed until the 2025 financials, or beyond. 2024 financials would most probably record this item as a contingent liability in its notes, not impacting the county’s profit and loss statement.

Though April 2024, the county’s fiscal position is worse than it was at the end of April 2023:

Net Financial Position

	<u>April 2024</u>	<u>April 2023</u>	<u>Change</u>
Revenues	\$ 818,167,879	\$ 809,613,921	\$ 8,553,958
Expenses	<u>\$ 707,261,493</u>	<u>\$ 609,026,376</u>	<u>\$ 98,235,117</u>
Net	\$ 110,906,386	\$ 200,587,545	(\$ 89,681,159)

In 2024, the county’s net financial position is \$89.7 million worse than it was at the same time in 2023. The \$110.9 million surplus should not be seen as an indicator of the county’s Y/E 2024 financial position because county revenues are front-loaded, with the receipt of virtually all property taxes in the first quarter of the year.

Material Budget Items

The ECFSA will report on all major revenue and expense items in the county's \$2.21 billion budget that can have a material impact in the county's finances, such as:

- **Sales Tax Revenues** – At \$639.3 million, sales tax revenues are the largest single source of income for the county, encompassing 33% of the 2024 operating budget. The 2023 budget included \$583.5 million in sales tax revenues. The 2024 sales tax revenue budget is \$55.8 million (9.6%) higher than the 2023 amount.
- **State Aide** – At \$251.7 million, state-aide is 12.9% of operating revenues. The 2024 state revenue budget is \$36.9 million (17.2%) higher than the 2023 amount.
- **Appropriated Fund Balance** – For 2024, the county appropriated no fund balance as a revenue.
- **Salaries** – The county has budgeted \$333 million for personnel in 2024. The corresponding 2023 personnel figure was \$303.3 million. The 2024 budget has increased by \$29.7 million (9.8%).
- **Fringe Benefits** – The county has budgeted \$173 million in fringe benefits for 2024, up \$27 million (18.4%) from \$146 million in 2023.
- **Overtime** – The county has budgeted \$25.58 million for overtime expense in 2024. The 2023 overtime budget was \$18.78 million. The 2024 budget has increased by \$6.8 million (36.2%).
- **Contractual Services** – The county has budgeted \$760.3 million for contractual services in 2024, up from \$674.8 million in 2023, an \$85.5 million (12.7%) difference. In 2024 the largest portion of this spending is \$482.7 million in sales tax transfers to the NFTA and local governments.
- **Program Specific** - The county has budgeted \$676.7 million in program expenses for 2024, up from \$579.3 million in 2023, a \$97.4 million (16.8%) difference.

The largest item in this category is \$214.6 million for Medicaid Local Share payments, up from \$190.5 million in 2023.

This expense group also includes \$121.4 million in Disproportionate Share (DSH) payments to ECMC, up \$30.4 million (33%) from the \$91 million appropriation in 2023. There is a \$8.66 million (128%) increase in the

Upper Payment Limit (UPL) expense of \$15.45 million for ECMC, up from \$6.79 million in 2023.

Specific Items

1. **Sales Tax Revenues** – Through April, the county is reporting a \$6,072,714 (3%) deficit in this account. The ECFSA tracks sales tax on a payment-by-payment basis. Year-to-date through June of 2024, receipts are running \$4,328,152 (2.33%) below last year.

Sales tax revenues returned to more historical trends in 2023. In 2024, they are running a deficit as compared to the prior year. At this point, the county estimates sales tax revenues to come in \$17.6 million under budget for fiscal year 2024.

2. **Other Source Revenues** – Erie County is showing a \$4,990,198 (20%) budget surplus in this general account. This variance is driven primarily by an excess in Interest and Earnings accounts of \$4,392,130, due to continued high interest rates.
3. **Salaries/Personnel** - Personnel expenses through April of 2024 are running \$6,088,180 (6%) 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 2024, the levels have consistently been in the 340 to 405 range. Consequent net savings (after allowing for lost reimbursements) are in the \$15 million range.

4. **Fringe Benefits** - The county is currently showing a \$5,836,313 (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 of 2024, the county is running a deficit of \$1,561,385 (19.21%) in this account. The county increased its 2024 budget by \$6.8 million (36.2%) as compared to its 2023 budget (\$25.58 million - \$18.78 million). If this trend continues, the county will end the year with a \$4.9 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 April of 2024, the county is running a positive variance of \$11,565,892 (5%) in this account. This is due primarily to the county’s lower allocation of additional sales tax receipts to municipalities within its jurisdiction and the NFTA in the amount of

\$7,178,188 and a \$3,276,816 timing related surplus in non-profit purchase of services.

7. **Program Specific** – For the first four months of 2024, the county is running a negative variance of \$4,662,937 (2%) in this account. Within the program set of accounts, the following are showing deficits contributing to this variance:

Child Care – CCBG	\$2,533,924
HEAP Program Costs	\$ 510,531
Serv. Spec.Needs Children	\$ 966,178

These negative variances are offset by the following positives.

Family Assistance	\$ 1,208,599
CWS Foster Care	\$ 796,420

Summary

Through April, the budget is balanced. Going forward there are several issues that bear watching:

- Sales tax revenues are running below both current year budget and last year's actuals through the first four months of the year. At this point, the county estimates a \$17.6 million shortfall in sales tax revenues for fiscal year 2024.
- Some Health and Human Services programs are showing negative variances through April.
- 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 19.21% over county forecasts (worsening since the last report) and bears watching for the remainder of the year.
- In April, the county lost a \$95 million wrongful death holding center-related lawsuit with the possibility an additional, \$5 million in punitive damages. The county is appealing the judgment and there is a potential for a reduction in the amount and a delay in the county reporting this liability on its 2024 profit and loss statement until 2025 or beyond.

