

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
MARCH 2024 BUDGET MONITORING REPORT
May 23, 2024**

Overview

Through the January 1, 2024 – March 31, 2024, reporting period, the county’s finances are stable. However, sales tax, the county’s largest single source revenue is running 6% below budget for the period, according to the county’s BMR. Sales tax cash receipts received by the ECFSA are running 5.28% behind last year at this time.

An event, subsequent to this reporting period could have a material impact on the county’s 2024 finances. In April, the county lost a \$95 million wrongful death lawsuit, with the possibility of an additional, \$5 million in punitive damages. County officials and legal counsel are discussing how to mitigate/address this potential liability.

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

Net Financial Position

	<u>March 2024</u>	<u>March 2023</u>	<u>Change</u>
Revenues	\$ 698,984,236	\$ 692,397,396	\$ 6,586,840
Expenses	\$ 536,159,872	\$ 463,641,661	\$ 72,518,211
Net	\$ 162,824,364	\$ 228,755,735	(\$ 65,931,371)

In 2024, the county’s net financial position is \$65.9 million worse than it was at the same time in 2023. The \$162.8 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 \$37 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 \$302.3 million. The 2024 budget has increased by \$30.7 million (10.2%).
- **Fringe Benefits** – The county has budgeted \$173 million in fringe benefits for 2024, up \$27.3 million (18.7%) from \$145.7 million in 2023.
- **Overtime** – The county has budgeted \$25.58 million for overtime expense in 2024. The 2023 overtime budget was \$18.66 million. The 2024 budget has increased by \$6.92 million (37%).
- **Contractual Services** – The county has budgeted \$760.9 million for contractual services in 2024, up from \$676.4 million in 2023, an \$84.5 million (12.5%) 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 March, the county is reporting a \$8,537,548 (6%) deficit in this account. The ECFSA tracks sales tax on a payment-by-payment basis. Year-to-date through May of 2024, receipts are running \$7,374,020 (5.28%) 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.
2. ***Other Source Revenues*** – Erie County is showing a \$4,662,933 (25%) budget surplus in this general account. This variance is driven primarily by an excess in Interest and Earnings accounts of \$4,387,644, due to continued high interest rates.
3. ***Salaries/Personnel*** - Personnel expenses through March of 2024 are running \$4,273,191 (5%) below budget. Budgeted salary savings of \$1.87 million are somewhat offset by non-salary (primarily overtime) expenses of \$876,572. 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 \$3,552,076 (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 March of 2024, the county is running a deficit of \$876,472 (14.17%) in this account. The county increased its 2024 budget by \$6.92 million (37%) as compared to its 2023 budget (\$25.58 million - \$18.66 million). If this trend continues, the county will end the year with a \$3.6 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 March of 2024, the county is running a positive variance of \$10,808,853 (6%) 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 \$6,153,162 and a \$3,457,707 timing related surplus in non-profit purchase of services.

7. **Program Specific** – For the first three months of 2024, the county is running a negative variance of \$1,018,529 (1%) in this account. Within the program set of accounts, the following are showing deficits contributing to this variance:

Child Care – CCBG	\$1,992,736
HEAP Program Costs	\$ 510,531
Serv. Spec.Needs Children	\$ 736,552

These negative variances are offset by the following positives.

Family Assistance	\$ 1,208,799
CWS Foster Care	\$ 875,541

Summary

Through March, 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 quarter of the year.
- Some Health and Human Services programs are showing negative variances through March.
- 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 14.17% over county forecasts 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. County officials and legal counsel are discussing what actions to pursue to potentially mitigate/address this liability.

