



Sales Tax Revenue Concerns Continue as Comptroller Completes First Quarter Report

Overly optimistic and aggressive projections on risky and volatile revenue could lead to gaps

(Buffalo) – The office of Erie County Comptroller Stefan Mychajliw completed the First Quarter financial report for the Erie County Legislature and Erie County Executive. It includes a responsible warning over the administration's overly optimistic and aggressive sales tax revenue projections that could negatively impact the 2013 budget.

A great concern surrounding the 2013 budget is the amount of money the administration projected is going to be generated through sales tax revenue. We are following the lead of the administration based on what their budget representative told the Erie County Legislature about their own sales tax revenue projections:

*"(We) hope that sales tax comes in better than we expect, but right now we don't think that is going to be the case. **We think the budget for sales tax this year is overly optimistic. We are not going to make budget on that.**"*

Source: Erie County Senior Budget Consultant Timothy Callan, Erie County Legislature Finance and Management Committee, March 14th, 2013

Sales tax revenue needs to grow 3.73% for all of 2013 in order for the administration to reach its projected revenue target of \$426,033,687. The actual receipts for January and February of 2013 reflect a 0.83% growth in sales tax revenue. The final revenue amounts at March 31st, 2013 will be known in mid-May.

The sales tax revenue amount for the County's First Quarter 2013 was \$98,436,361 compared to \$96,233,519 for the First Quarter of 2012, a very slight increase. Based on what the administration is projecting for March 2013 sales tax revenue, we can report that during the first three months of 2013, the County could experience a \$2,265,844 (2.36%) increase in sales tax revenue, compared to the first three months of 2012. A 2.36% growth in sales tax revenue for 2013 would create an approximately \$5,620,355 gap in this year's budget.

Keep in mind, this reflects the Division of Budget and Management's accrual of March sales tax, of what their best guess of what March 2013 figures will be.

"We will continue to closely monitor sales tax revenue to determine if the administration's overly optimistic and aggressive projections will create a hole in this year's budget. Don't take my word for it. Our concerns about the administration falling short of their own sales tax revenue projections comes from their own office. I am pleased the administration shares my concern over their overly optimistic sales tax revenue projections. We need to keep a close eye on this. Falling short of their projections could create multi-million dollar budget gaps," said Comptroller Mychajliw.

Another area of concern is the projected \$110 million amount needed for the issuance of a Revenue Anticipation Note (RAN) later this year. We have not seen a RAN issuance this year since the infamous "Red/Green" fiscal meltdown of 2005 and 2006. Ultimately the final dollar amount and timing of the issuance will be determined as the County's actual cash position is monitored and projections are adjusted, as applicable, throughout the year.

These reports are charter mandated and due by the end of the following month after the completion of the quarter. It includes data concerning financial statements, investment reports, cash flow statements, property tax summary, sales tax summary, debt schedules, short term bonded indebtedness, property tax rates, and constitutional taxing power.

The Interim Financial Report includes the three-month period that ended March 31st, 2013. It serves as a "fiscal snapshot" for legislators and the County Executive on the financial well being of the county at the time of issuance.

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