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Census Will Impact Revenue Sharing In Erie County

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By WKBW News
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Comptroller's Office Forced to Recoup More Than \$937,000 from City in First Quarter 2011 Overpayment

BUFFALO, NY—(release) Last week Erie County Comptroller Mark Poloncarz sent letters to Erie County's cities, towns and villages informing them of a change in sales tax revenue sharing with the release of 2010 census data earlier this month. The dramatic loss in the city of Buffalo's population necessitated a reduction in the City's share of sales tax monies, with that revenue being redistributed among the County's other cities (Lackawanna and Tonawanda) and towns and villages.

"The County's sales! tax sharing formulas are based, in part, on population and, with the release of the 2010 census data, needed to be updated to reflect the changes," said Poloncarz. "We are now seeing the first direct effect of the population loss here in Erie County."

Poloncarz continued, "Although Erie County lost more than 31,000 residents over the last decade, the losses were primarily from the cities, with the towns experiencing a net gain of about 2,000 residents. Generally, that would mean the cities' share of sales tax would! decrease and be redistributed to the towns and villages. However, because the losses in Buffalo were so severe compared to the other cities, they have borne the entire revenue loss in the first quarter. Which means, although both Lackawanna and Tonawanda did see population losses, they will actually see their share of sales tax revenue increase along with the towns and villages."

For the first quarter 2011, Erie County generated more than \$168.3 million in Sales and Compensating Use Tax, of which \$50.4 million is shared among the cities ! and towns and villages, \$30.8 million is shared among the County's school districts, and the rest (\$87 million) retained by the County.

Because of population loss, Buffalo's share of sales tax has been reduced by about four percent (4%), which for the first quarter equates to a loss of \$937,270.65 in revenue to be redistributed among the remaining municipalities (\$36,868.32 to Lackawanna, \$11,527.04 to the city of Tonawanda, and \$888,875.29 to the towns). The Buffalo Fiscal Stability Authority ("BFSA") already intercepted Buffalo's first quarter share based on the previous 2000 census figures. As such, the Comptroller's office is forced to recover the overpayment out of sales tax receipts the State will disburse on April 6, 2011.

Poloncarz added, "The BFSA intercept of Buffalo's share based upon the old 2000 census numbers amounts to a more than \$937,000 overpayment in sales tax for the first quarter. I have alerted the BFSA and city comptroller's office of the overpayment and the necessity to recover those funds. The other cities, towns and villages will receive their updated share now, with reimbursement of Buffalo's overpayment coming from the next sales tax disbursement by the State."

Erie County levies a four and three quarter percent (4.75%) Sales and Compensating Use Tax in addition to a four percent (4%) tax collected by New York State. The first three percent (3%) of the County's sales tax is shared with cities, towns and villages, and school districts pursuant to certain formulas contained in a 1977 agreement entered into by the County and cities of Buffalo, Lackawanna and Tonawanda. This March's distribution also includes the remittance of \$12.5 million of sales tax revenue to the cities and towns and villages pursuant to the New York State's reauthorization of the County's one percent (1%) sales tax. The County keeps all proceeds derived from the final three-quarters percent (.75%) of sales tax collected.

The sales tax shared among cities and towns and villages is distributed proportionally among them based on population, with the school districts' share calculated on student enrollment.

The sales tax amounts allocated to the towns and villages as a whole (by population) are split among individual towns and villages in one of two ways. In the first and third quarters it is based on the proportion of each town's full value of assessed real property to the total full value of assessed property for all towns. In the second and fourth quarters the distribution is based on the proportion of a town's population to the total population for all the towns.

"Although the towns, as a whole, will receive a greater share of sales tax revenue because their total population increased, that revenue is split among the towns and villages not just by population but also assessed value of real property, depending on

which financial quarter it is. This means that an individual town or village that may have had a population loss but is seeing their share of sales tax revenue increase this quarter may see a reduced payment next quarter because those payments are determined solely by population,” stated Poloncarz.

According to 2010 census data, over the past ten years, Erie County saw its total population decrease by more than 31,225 to 919,040 with the following breakdown: Buffalo (31,338 loss), Lackawanna (923 loss), Tonawanda (1,006 loss) and towns and villages (2,042 gain).

Copies of the letters sent to the Buffalo Fiscal Stability Authority and to the other cities, towns and villages regarding the change to sales tax sharing, along with a more detailed breakdown of the sales tax sharing formula are attached below.