COUNTY OF ERIE

STEFAN I. MYCHAJLIW
COMPTROLLER

August 13, 2013

The Honorable Erie County Legislature
92 Franklin Street
Buffalo, New York 14202

Re: June 2013 Sales Tax

Dear Honorable Legislators:

The State has notified the County of the amount of sales tax revenue for January-June 2013. Subject to small adjustments for interest, January-June 2013 sales tax was $204,100,885.17. This compares to the total January-June of 2012 sales tax revenue to $198,412,084.18, an increase of $5,688,800.99 or 2.87% growth.

While it is still too early to draw any conclusions on how 2013 sales tax will end this reinforces this office's warnings and the administration's multiple public warnings about their own overly optimistic sales tax projections contained in the Poloncarz administration's 2013 budget, an increase of 3.73% over 2012 actual.

If this trend of 2.87% growth continues for the remainder of 2013, then sales tax would end below budget by $3,525,682.

This office will continue to monitor this account, the largest revenue in the budget at $426,033,687, closely throughout the year and will report to your Honorable Body as we receive monthly updates from the State.

Potential Budget Gaps Based on 2013 Sales Tax Growth

Actual 2013 Year-to-Date 2.87%: - $3,525,682
1%: - $11,206,151
2%: - $ 7,098,948
3%: - $ 2,991,745
3.73%: $0

ERIE COUNTY OFFICE BUILDING • 95 FRANKLIN STREET • ROOM 1100 • BUFFALO, NEW YORK • 14202-3972
TELEPHONE: (716) 858-8400 • FAX: (716) 858-6195 • INTERNET: www.erie.gov

January-June 2012 Sales Tax Revenue: $198,412,084
January-June 2013 Sales Tax Revenue: $204,100,885
Year-to-Date Difference: + $5,688,801 or + 2.87%

June 2012 Sales Tax Revenue: $34,113,305
June 2013 Sales Tax Revenue: $32,190,734
Difference: + $1,922,571 or +5.97 %

2011 Sales Tax Revenue: $400,993,639
2012 Sales Tax Revenue: $410,720,332
2013 Projected Sales Tax Revenue: $426,033,687

If you have any questions, please do not hesitate contacting this office.

Sincerely yours,

Gregory G. Gach
Deputy Comptroller

cc: Mark C. Poloncarz, County Executive
Erie County Fiscal Stability Authority

COUNTY OF ERIE

STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER

PRESS RELEASE
August 13th, 2013
Comptroller@erie.gov
716.858.8404

Sales Tax Revenue Shortfall Continues

Poloncarz Administration predicted 3.73% annual growth from 2012 to 2013. Actual growth for the first six months of the year is 2.87%. That equals over a $3.5 million hole in this year's budget

(Buffalo) – Erie County Comptroller Stefan I. Mychajliw is reporting January 2013 - June 2013 sales tax revenue for Erie County to be $204,100,885. That represents year-to-date sales tax revenue growth of only 2.87%. The actual sales tax growth for the first six months of the year falls far short of the administration's overly optimistic and aggressive projection of 3.73% growth.

Administration's projected Year-To-Date growth: 3.73%
Actual Year-To-Date Growth: 2.87%

There will be gaps in this year's budget if the Poloncarz administration falls short of its annual sales tax revenue growth projection of 3.73%. If sales tax revenue continued to grow at the pace at which it has for the first six months of the year, it would create over a $3.5 million hole in the 2013 budget.

Potential Budget Gaps Based on 2013 Sales Tax Growth

Actual 2013 Year-to-Date 2.87%: - $3,525,682
1%: - $11,206,151
2%: - $7,098,948
3%: - $2,991,745
3.73%: $0

Over the next six months **sales tax revenue must grow 4.5% for the remainder of the year** in order for the administration to reach their own overly optimistic projection of receiving $426,033,687 for 2013.

2011 Sales Tax Revenue: $400,993,639
2012 Sales Tax Revenue: $410,720,332
2013 Projected Sales Tax Revenue: $426,033,687

The year-to-date sales tax revenue growth for the first six months of 2013 (January-June) is 2.87%.

January-June 2012 Sales Tax Revenue: $198,412,084
January-June 2013 Sales Tax Revenue: $204,100,885
Year-to-Date Difference: + $5,688,801 or + 2.87%

The budget gap figures comes on the heels of the Office of Erie County Comptroller releasing actual revenues received for June 2013 sales tax:

June 2012 Sales Tax Revenue: $32,190,734
June 2013 Sales Tax Revenue: $34,113,305
Difference: + $1,922,571 or + 5.97%

The release of the June 2013 sales tax revenue report comes continued warnings representatives of both the Erie County Division of Budget and Management and Office of Erie County Comptroller of whether or not the Administration's own sales tax projections for 2013 are realistic:

"We are worried about some of the trends in sales tax."
Source: Erie County Senior Budget Consultant Timothy Callan, Erie County Legislature Finance and Management Committee, May 2nd, 2013

"In sales tax, again, if we had to budget it over, I would have budgeted less in sales tax."
Source: Erie County Budget Director Robert Keating, Erie County Legislature Finance and Management Committee, May 2nd, 2013

"The sales tax number is an area of concern."
Source: Erie County Senior Budget Consultant Timothy Callan, Erie County Legislature Finance and Management Committee, May 2nd, 2013

"(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

"We continue to hold up to our promise to closely monitor actual sales tax revenue and report the data to the public, Legislature, Control Board, and Administration. My office has been consistent in reporting information in a timely manner and letting everyone know exactly how big budget gaps could be, based on actual sales tax growth. The Poloncraz Administration expressed worry and concern about their own sales tax revenue projections. Our office is pleased they admitted that they would have 'budgeted less' last year," said Comptroller Mychajliw.

###

www.erie.gov/comptroller