



ERIE COUNTY COMPTROLLER

HON. STEFAN I. MYCHAJLIW

March 20, 2020

Honorable Erie County Legislators
Erie County Legislature
92 Franklin Street – 4th Floor
Buffalo, New York 14202

RE: Coronavirus Pandemic Impact on Sales Tax Revenue

Dear Honorable Members:

As the County of Erie continues to manage operations during this Coronavirus crisis, it is critically important as the Chief Fiscal Officer to be cognizant of the potentially drastic financial toll this could have on our budget as it relates to the loss of sales tax revenue. This could impact revenue for the County of Erie, Cities, Towns, Villages, School Districts and the NFTA.

It is possible plummeting markets on Wall Street and private sector layoffs will negatively impact state and county finances. Because New York State historically is two months behind in reporting sales tax revenue and at this point we still have no idea how long this pandemic will last, the potential economic ramifications could be felt for a long time.

What we know today is that the federal government will continue to run record deficits. New York State, already faced with a budget deficit of at least \$6 billion for the fiscal year beginning April 1, may now see that budget gap double, or worse. State Comptroller Thomas DiNapoli estimated at the start of this week that tax revenue losses for New York State could be anywhere from \$4 to \$7 billion, bringing our state deficit to almost \$14 billion. To give you an idea of the wild swing in earnings this coronavirus has brought to our doorsteps; Governor Andrew Cuomo HAD estimated \$87.9 billion in sales tax revenue coming in for that period. His proposed budget of \$178 billion for FY 2020 heavily relied on those numbers.

Erie County's budget has always been precariously balanced with economic dependent revenues and expenses. But now, if the County experiences a decline in sales tax revenue, as well as other revenue sources such as bed tax and property tax payments, that could have a devastating impact on Erie County government.

If vendors are allowed to delay sales tax payments because of their mounting fiscal challenges, that will also mean less revenue sent to us. If there are extensions allowed on the tax filing deadline, that will equate to a delay in tax revenue. While the Office of Erie County Comptroller is responsible for cash flow management, we can only manage the amount of cash provided to us. We could see a return to

drastic action taken during the "Red/Green Budget Crisis" where bills can no longer be paid, and the County of Erie would be forced to prioritize who gets paid and who does not.

As you know, Social Services constitute the vast majority of the county budget. With restaurants, arenas, sports facilities and malls closing, and hotels with no guests, there could be a reduction of revenue coming in. It also means people are losing their jobs. With waiting periods for unemployment filing eliminated, and the need for services and SafetyNet increasing, those expenses will inevitably increase considerably.

Because of these numerous factors, I can report that a decrease in County share of sales tax 10-50% would equate to anywhere from \$16 million to almost \$80 million just through the month of June. The losses could be even higher. We will not know exact numbers until they are provided to the County of Erie by the State of New York.

If sales tax for the month of **March 2020** dips by these percentages, here's what the loss could be:

- 10% reduction: loss of \$ 3,586,406
- 20% reduction: loss of \$ 7,172,811
- 30% reduction: loss of \$10,759,217
- 40% reduction: loss of \$14,345,623
- 50% reduction: loss of \$17,932,029

If sales tax for the month of **April 2020** dips by these percentages, here's what the loss could be:

- 10% reduction: loss of \$ 3,583,050
- 20% reduction: loss of \$ 7,166,100
- 30% reduction: loss of \$10,749,151
- 40% reduction: loss of \$14,332,201
- 50% reduction: loss of \$17,915,251

If sales tax for the month of **May 2020** dips by these percentages, here's what the loss could be:

- 10% reduction: loss of \$ 4,904,305
- 20% reduction: loss of \$ 9,808,609
- 30% reduction: loss of \$14,712,914
- 40% reduction: loss of \$19,617,219
- 50% reduction: loss of \$24,521,524

If sales tax for the month of **June 2020** dips by these percentages, here's what the loss could be:

- 10% reduction: loss of \$ 3,917,876
- 20% reduction: loss of \$ 7,835,752
- 30% reduction: loss of \$11,753,629
- 40% reduction: loss of \$15,671,505
- 50% reduction: loss of \$19,589,381

At best, the loss of revenue to the Erie County budget could be \$15,991,637, representing a potential drop in sales tax revenue by 10%. A catastrophic 50% loss in sales tax revenue would be \$79,958,184. To put that in perspective, worst-case revenue losses through June equates to more than half of non-mandated spending in Erie County in one year; that's every cultural organization that receives funding, road projects, parks, libraries, etc. Even a best-case scenario of 10% in lost revenue means very difficult decisions are going to have to be made.

Presently, Erie County has enough cash flow to get us through June. That's under normal circumstances. We are living in extraordinary times. The Office of Erie County Comptroller will have a clearer picture of cash flow when we receive our sales tax figures in May. That data will have March figures included, when the COVID-19 pandemic began to significantly impact the local economy. Fortunately, Erie County is in a period of healthy cash balances because property tax collections are at its highest for the year. In a typical year, this would take Erie County safely into the third quarter. However, these are not normal times.

We are in uncharted territory. I urge you and the Erie County Legislature to plan for a deficit, the amount of which remains unknown. At a minimum, all discretionary spending needs to be re-examined and prioritized. Cost cutting measures to save taxpayer dollars should be considered. I offer myself and my staff to assist the Administration and the County Legislature as we determine how to make difficult decisions based on economic factors that are out of our control, but yet could have detrimental consequences on the Erie County budget. Prepare for the worst from an economic perspective and hope for the best.

Sincerely,

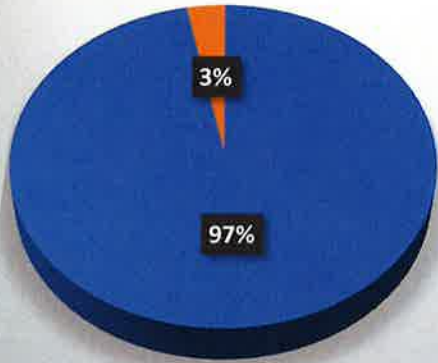


Stefan I. Mychajliw
Erie County Comptroller

Enclosure(s)

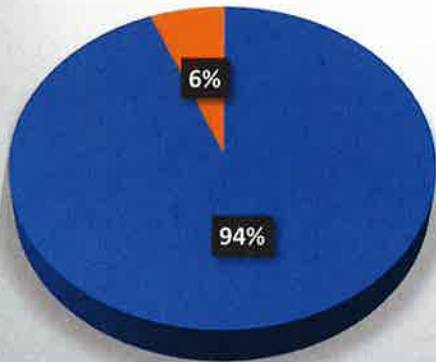
CC: Erie County Executive, Mark Poloncarz

Shortfall for 2020 Budget at 10% Decrease in Sales Tax



- 2020 Budgeted Sales Tax Revenue (\$491,338,760)
- % Less of Budget @ 10% drop (-\$15,991,636.80)

Shortfall for 2020 Budget at 20% Decrease in Sales Tax



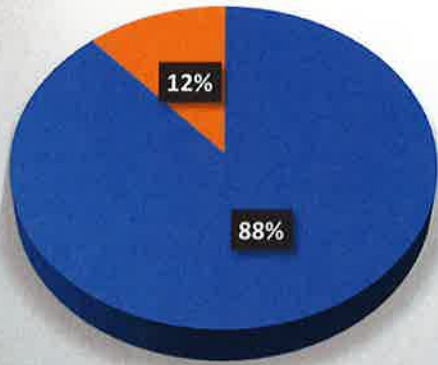
- 2020 Budgeted Sales Tax Revenue (\$491,338,760)
- % Less of Budget @ 20% drop (-\$31,983,273.60)

Shortfall for 2020 Budget at 30% Decrease in Sales Tax



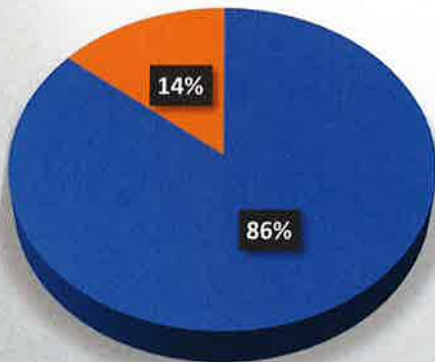
- 2020 Budgeted Sales Tax Revenue (\$491,338,760)
- % Less of Budget @ 30% drop (-\$47,974,910.40)

Shortfall for 2020 Budget at 40% Decrease in Sales Tax



- 2020 Budgeted Sales Tax Revenue (\$491,338,760)
- % Less of Budget @ 40% drop (-\$63,966,547.20)

Shortfall for 2020 Budget at 50% Decrease in Sales Tax



- 2020 Budgeted Sales Tax Revenue (\$491,338,760)
- % Less of Budget @ 50% drop (-\$79,958,184.00)