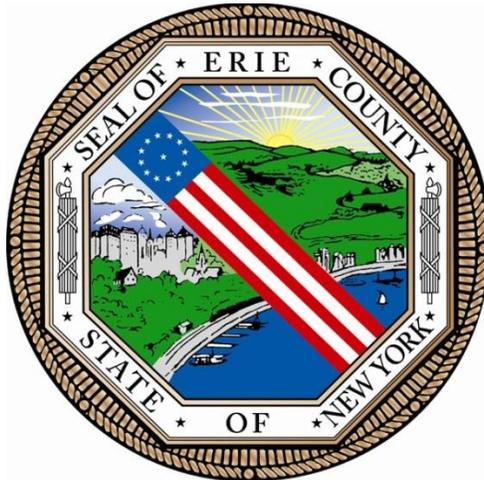


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**A Report on Certain Local Impacts of the Coronavirus Aid,
Relief and Economic Security (CARES) Act**



**STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER**

**HON. STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER'S OFFICE**

**DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202**

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

Dear Honorable Members:

On March 25, 2020, the United States Senate passed the “Coronavirus Aid, Relief and Economic Security Act” (CARES) as amended. The United States House of Representatives approved the measure on the following day, and the bill was signed into law on March 27, 2020.

The CARES act is the largest relief act in United States history. It is the third relief measure passed to counter the physical and economic impacts of COVID-19, a coronavirus which originated in China, spread internationally, and whose epicenter in the United States is currently New York State. As a result of the virus, many non-essential businesses in the United States have shut down as social distancing measures have been implemented to curtail the spread of the virus. As a result of these shutdowns, businesses have stalled, resulting in employees losing income. The combination of business shutdowns and increasing unemployment have also impacted governments, as the costs of monitoring and combatting the virus have increased and revenue has decreased.

The effects of these impacts continue as social distancing measures continue to be enforced. Even after restrictions are eventually lifted, there will continue to be impacts as the nation, New York State and Erie County return to a state of normalcy. What was considered normal in February may not be part of the “new normal” in June, as some businesses may not survive the protracted shutdown and new businesses enter the marketplace to take their places.

In the meantime, the CARES act will have impacts on Erie County’s residents, businesses and governments. The purpose of this report is to highlight certain aspects of the CARES act and briefly mention the impact of the measures.

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Assistance to Individuals and Families

The CARES Act provides for a one-time direct payment of \$1,200 per adult earning an adjusted gross income of \$75,000 or less. As such, a married couple filing jointly will be eligible for \$2,400 if their earnings are \$150,000 or less. An individual filing as the head of household would receive the full payment if they have an adjusted gross income of \$112,500 or less.

In order to determine their adjusted gross income, taxpayers can refer to line 8B of their 2019 federal form 1040 income tax return. If taxpayers are taking advantage of the delayed filing date for 2019 income taxes and have not yet filed, their 2018 income tax return will be referenced by the federal government.

The amount of the payment would be reduced by 5% of the adjusted gross income above \$75,000 for individuals or \$150,000 for married couples filing jointly. As such, the payment is phased out for singles at \$99,000 adjusted gross income, and married couples at \$198,000 adjusted gross income.

In addition, individuals are eligible for an additional \$500 payment for each child 16 or under who is a dependent. The same 5% reduction rule applies. As such, a married couple with two dependent children would be eligible for a \$3,400 payment if their adjusted gross income totaled \$150,000 or less, but the amount would be reduced by 5% of the adjusted gross income above \$150,000 phasing out totally at \$218,000. Similarly, a married couple with three children would see a payment of \$3,900 with a joint adjusted gross income of \$150,000 or less, and the payment would be reduced to zero at a joint adjusted gross income of \$228,000.

It is not necessary to apply for these payments. The federal government will make these payments based on the information provided to them on past returns. As such, if a taxpayer as had tax refunds provided to them in the past, the federal government will use that information to distribute payments directly to taxpayers. If a taxpayer received a refund via paper check, or if they have not previously received a refund, the federal government will make payments via paper check.

The federal government will begin making direct deposit payments in mid-April. Paper checks will begin in May. Paper checks will be prioritized based on income, with lower income individuals receiving their payment first. As such, higher income earners with lower payments may not receive a payment until September.

Assistance to Unemployed

The CARES Act offers multiple forms of assistance to individuals who have become unemployed due to COVID-19. This legislation expands benefits to many individuals who are not typically eligible for unemployment. As such, individuals who become unemployed, partially unemployed or cannot work for a reason related to the coronavirus pandemic are more likely to be eligible to receive benefits. The measure provides coverage for eligible workers for the duration of the state unemployment provisions, with an additional 13 weeks. An additional \$600 weekly payment beyond the typical amount received would be provided for up to four months.

As an example, an individual may earn \$1,000 per week. Because the position is at a non-essential business, that individual may be entitled to unemployment in the amount of 40% of the typical weekly earnings. The individual would then receive \$400 in unemployment benefits, in addition to \$600 per week for four months. As such, the individual would earn the same amount as he or she was being paid to work.

The \$600 in extra benefits is also available to eligible part-time unemployed employees. As such, it is possible that some individuals will be compensated more while unemployed than they were while employed. Eligible self-employed individuals who cannot work due to COVID-19 related circumstances may also be eligible for unemployment benefits.

In addition to expanded monetary benefits, the length of benefits has also been expanded. Further, the typical one-week waiting period has been waived. However, given the massive increase in volume of applications, processing of applications may take longer than usual.

It should be noted that individuals who are able to work from home, or who are receiving paid sick or family leave while at home, are not typically eligible for unemployment benefits. Further, individuals who have been unemployed for an extended period of time and have not yet been successful in securing employment may similarly not be eligible. Questions regarding eligibility for unemployment benefits should be directed to the New York State Department of Labor. They have extended office hours to address the increase in anticipated concerns. They can be reached at 1-888-209-8124 from 8:00 AM - 7:30 PM Monday - Thursday, 8:00 AM – 6:00 PM Friday, and 7:30 AM – 8:00 PM Saturday.

People that are calling for these benefits are encouraged to be patient, considering phone lines are jammed with historic numbers of people applying for unemployment benefits.

They also have useful information posted on their website:

<https://applications.labor.ny.gov/IndividualReg/>

Assistance for Small Businesses

The CARES Act includes \$349 billion for small businesses to maintain payroll and some overhead expenses.

Businesses under 500 employees, or under 500 employees per physical location for food service and accommodation businesses, can receive a Small Business Interruption loan up to 2.5 times their average monthly payroll, up to a maximum of \$10 million. These loans may be used for payroll, benefits, salaries, interest payments, rent, utilities. Fees are waived. Collateral and personal guarantees are not required. Payments are deferred for at least 6 months, and possibly up to one year.

A very useful feature of these loans for businesses is that the principal can be forgiven, up to the total cost of payroll, mortgage interest payments, rent, utility payments, and additional wages to tipped employees.

In addition, the CARES Act allocates \$10 billion in emergency grants for small business which can be converted into advances on forgivable loans. It also provides \$17 billion to pay the principal, interest and fees on existing federally guaranteed small business loans for a period of 6 months. Because of the anticipated high utilization of this loan program, the CARES Act allocates \$1 billion to administration, training, consulting and education related to these loan programs.

It is important to note that although \$349 billion is a lot of money, it is anticipated that this program will be highly utilized. Further, it appears that funds may be made available on a first-come, first-served basis. Thus, it may be advisable for businesses to apply for such loans as soon as a need is identified. Small business seeking assistance from this program should contact the Small Business Administration. Further information is available on their website: <https://www.sba.gov/funding-programs/loans/coronavirus-relief>

Assistance to Governments

The aid to local governments contained in the stimulus package is important to help families, the business community and the County of Erie regain some sound financial footing. The assistance provided to workers who, through no fault of their own, find themselves unemployed or underemployed as a result of this crisis, is also much needed. The financial impact will be felt long after the quarantines and shutdowns end. This legislation is necessary to help communities like Erie County, but long-term, revenue streams the County budget relies on will most certainly be impacted.

The \$2 trillion stimulus package passed by the United States Senate and House of Representatives, and signed by President Donald Trump, specifically spells out how local governments will be aided in their recovery from the Coronavirus pandemic.

Erie County will receive \$159 Million from the federal government. The very serious issue, based on the legislation, is that this \$159 million must be spent directly on Coronavirus related expenses only. This means the \$159 million cannot be used to offset what is going to be the biggest negative impact on our budget: the anticipated loss of sales tax revenue.

To break this down further:

- Legislation authorizes \$150 billion in payments to states, local governments, territories, tribal units, etc.
- Each state is authorized to receive at least \$1.25 billion, meaning less populated states receive the same amount as higher populated states like New York.

- For states authorized to receive more than the minimum threshold, the aid to states is based on each state's total population compared to the population of the United States
- Local governments, such as Erie County, are authorized to receive a share of what is allocated to the state.
- A local government is defined as having a population of more than 500,000. This is why the City of Buffalo does not qualify, but Erie County does.
- The counties share from a pool that is equal to 45% of the total amount authorized for the state. That 45% is shared based on the proportionate population of the county as compared to the entire state.
- Aid is based on population, not on number of cases.
- Erie County is also home to two tribal areas. As such, those governments would also likely be authorized to receive funds.
- Erie County will be restricted as to how that \$159 million is spent;
- Erie County applies for the funds directly. The money is not disseminated from the state.
- The funds are to be disseminated within 30 days of the law's enactment.
- The "Chief Executive" must submit his/her request for funding to the U.S. Treasury. We did receive a copy of the County Executive's direct request to United States Secretary of the Treasury Mr. Steven Mnuchin.
- The allocation must be spent on "necessary expenditures incurred due to the public health emergency with respect to the COVID-19 virus."
- The allocation must be spent on expenditures that were not budgeted in the adopted 2020 Erie County budget.
- The allocation must be spent on expenditures between March 1 and December 31, 2020.

The process and expenditures will be subject to oversight by the Inspector General of the U.S. Treasury.

Current Erie County Cash Flow

Our local economy is in uncharted waters from a fiscal perspective. This uncertainty will have a direct impact on our budget. That being said, we all must work together in a collaborative manner to not just survive but thrive once the health crisis dissipates and we start managing the fiscal ramifications of COVID-19.

It seems highly likely that sales tax revenue will decrease as a result of COVID-19 impacts. The drop in sales tax revenue for Erie County could be anywhere from 10% to 50%. We are preparing models on how deep losses will be if the percentage drop is even more. Based on last year's sales tax revenue, Erie County could lose between \$16 million - \$80 million in sales tax revenue through June. That impact on our county finances would be devastating, especially if sales tax revenue drops more than the model using the 50% figure. As you are aware, sales tax revenue is the largest source of revenue for the County of Erie.

On a positive note, in the short term we are in a strong position from a cash flow perspective to weather difficult economic times. Long term, we should work together, in a unified front, to obtain federal aid to offset what could be a significant loss of sales tax revenue in the months ahead.

To give you an idea of where our finances were prior to the extreme challenges of COVID-19:

- Our unassigned fund balance is \$102,490,000 as of December 31, 2018. We have not yet closed on 2019.
- January, 2020 sales tax receipts were \$58,762,734.91, which is 4.81% higher than budgeted, but also before the realities of the pandemic hit.
- Our current cash on hand is approximately \$175 million. That is a healthy amount, and is the result of property tax collections being at its highest for the year.
- A Revenue Anticipation Note of \$125 million, at 4.7% interest, would cost the county an additional \$5.9 million. This most certainly could change for the better if the economy rebounds in the short term.

Conclusion

COVID-19 is a global pandemic with global impacts. These impacts will be felt in Erie County. Individuals, families, businesses, non-profits, schools and governments have been and will continue to be impacted. The federal government has taken steps to mitigate financial damages to all of these groups. The largest of these acts has been the CARES Act.

The CARES Act takes steps to get workers, businesses and governments through this immediate crisis. However, more needs to be done to mitigate ongoing fiscal devastation.

More specifically, Erie County's cash on hand situation is currently strong and will allow us to pay our expenses for the next few months. However, after that point, decreased sales tax will begin to affect our ability to pay bills. It is not yet known what that impact will be. It is important to take steps to address the anticipated shortfall in revenue.

As such, WE RECOMMEND that the Erie County Legislature and our New York State delegation lobby federal leadership to take steps to assist governments to overcome revenue shortages in anticipated future legislation to address the impacts of COVID-19.