



ERIE COUNTY COMPTROLLER HON. STEFAN I. MYCHAJLIW

March 31, 2020

Honorable Charles Schumer
United States Senate
322 Hart Senate Office Building
Washington, D.C. 20510

Honorable Kirsten Gillibrand
United States Senate
478 Russell Senate Building
Washington, D.C. 20510

Dear Senator Schumer & Senator Gillibrand,

My office has reviewed the Coronavirus Aid, Relief and Economic Security (CARES) Act. Thank you very much for your efforts in assisting New York State and local governments, especially the \$159 million geared to Erie County. We greatly appreciate your efforts to secure this and additional funding for the State of New York. The resources will go a long way to purchase desperately needed medical equipment and other necessities to combat the spread of Coronavirus.

That being said, it appears some of the language in the legislation limits how we can and cannot use those resources on what is going to be the most fiscally crippling impact on our Erie County budget: the potential loss of sales tax revenue that is directly related to the Coronavirus crisis.

The Office of Erie County Attorney and the National Association of Counties support this notion. We are being advised that *"the State and Local funding portion of the CARES Act cannot be used to offset the loss of revenue, even if that revenue loss is related to COVID-19."*

The way the legislation is written appears to confirm this as well: those resources can only be remitted to local governments for *"necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government."*

Source: H.R. 748, CARES ACT, Page 603

Our local economy has ground to a halt. People are no longer buying cars, shopping in stores, eating out, staying in hotels or making various purchases the way they used to before the Coronavirus pandemic struck. This will directly impact county finances due to the fact that sales tax revenue is the largest source of revenue in our 2020 budget: \$491,338,760.

The projected decrease in sales tax revenue is directly related to the COVID-19 crisis, as well as the subsequent shut downs in response. While I wholeheartedly commend your efforts to secure the \$159 million for Erie County and the use of that revenue on specific Coronavirus related costs, we are concerned that the language in the legislation will block our efforts to use the money to offset potentially devastating losses in sales tax revenue and keep county government as we know it afloat.

It appears this legislation as written, prevents us from using these funds to help fill the massive gap in our county budget as they are not directly spent on COVID-19, and they were previously budgeted.

Right now, offsetting the loss of sales tax revenue that is directly related to the Coronavirus crisis is a top priority.

Erie County's budget has always been balanced with economic dependent revenues like sales tax. But now, if the County experiences a massive 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.

My office produced an analysis estimating a potential loss of almost \$80 million (\$79,958,184) if sales tax revenues drop 50% between March and June. It could be worse. On the very conservative side, if sales tax revenue declines by 10% in the same three-month period, that would equal a loss of \$16 million (\$15,991,636).

To put this in perspective, the near \$80 million we would lose equates to half of the Erie County non-mandated spending for 2020.

That would mean to balance our budget we would need to close every library (\$25,409,158) and park in Erie County (\$6,776,118); eliminate the county share of Sheriff Police Services (\$30,627,049); cut all road repairs (\$15,339,104); and cut all funding to our cultural institutions (\$6,944,610), which would get us to around \$85 million (\$85,096,039) to close the gap caused by the loss of sales tax revenue. And that's assuming we only lose sales tax revenue for March through June 2020.

Please let me know what I can do or what can be done to remedy this issue. I pledge to work in a bi-partisan manner with all my partners at every level of government: Governor Andrew Cuomo, Erie County Executive Mark Poloncarz, Erie County Legislature Chairwoman April Baskin, Legislature Majority Leader Tim Meyers and Legislature Minority Leader Joseph Lorigo to solve this problem.

If there is a second round of federal funds for struggling municipalities, please keep in mind any solutions that will help us offset the anticipated loss of sales tax revenue.

On behalf of the municipalities throughout Erie County who will be impacted, I thank you for your attention to this important matter. If my office can be of further assistance, please call me directly at (716) 858-8404.

Sincerely,



STEFAN I. MYCHAJLIW
Erie County Comptroller

cc: Honorable Andrew M. Cuomo, New York State Governor
Hon. Brian Higgins, United States House of Representatives, NY 26
Hon. Thomas Reed, United States House of Representatives, NY 23
Hon. Mark C. Poloncarz, Erie County Executive
Hon. April Baskin, Erie County Legislature Chairwoman
Hon. Tim Meyers, Legislature Majority Leader
Hon. Joseph Lorigo, Legislature Minority Leader