



ERIE COUNTY COMPTROLLER

HON. STEFAN I. MYCHAJLIW

March 11, 2020

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

RE: Coronavirus potential impact on county finances and operations

Dear Honorable Legislators:

Just within the past 24 hours, the New York State Amateur Hockey Association says the state tournaments planned for Western New York will go on, but without spectators at any of the three host facilities after a directive issued by Town of Amherst officials for the Northtown Center. More than likely this will not be the first Coronavirus related impact on our local economy as it pertains to hotels, restaurants and shopping.

As the Coronavirus continues to provide a great deal of unknowns regarding spread, length, and impact both on our daily lives and the economy, I wanted to write to you to advise you of some things to take into consideration moving forward and to provide some perspective regarding the Erie County budget.

In no way do I want to incite panic or overstate the seriousness of this illness, nor do I want to dismiss its impact. What I do wish to highlight for you is that the virus will most definitely have some sort of effect both on our state's finances, as well as Erie County's bottom line. It is my hope that this will allow you to be able to anticipate fluctuation in anticipated earnings and plan accordingly.

First, I wish to remind you of the importance sales tax revenue has on our county budget. As you know, it is sales tax revenue that pays for most non-mandated programs, services, etc. In Erie County. With health officials advising caution, and their directives that we be mindful of our interactions and physical contact with others, it can be deemed probable that fewer people, at least short-term, will be shopping, eating out, going to the theatre, or attending large public events like the amateur hockey association state tournament. Budget projections in sales tax revenue for 2020 are \$491,338,760. Just like the financial market, those receipts are likely to fluctuate considerably with the ebb and flow over virus concerns. Oil prices have also dipped to levels we haven't seen in quite some time. While that may be good news for those filling up at the pumps, it does result in less sales tax revenue coming in to Erie County.

Additionally, the tourism industry worldwide is feeling the impact. As such it is highly likely that there could be a decrease in bed tax revenue here in Erie County. That funding stream accounted for \$11,953,350 to Erie County's budget in 2019. Of that, \$3,559,738 went to Visit Buffalo Niagara to further promote our region to visitors. With the virus outbreak's uncertainty, fewer tourists to our region could result in area hotels facing some previously unanticipated challenges. That could have an impact on the hotel and hospitality industry

OFFICE OF ERIE COUNTY COMPTROLLER STEFAN I. MYCHAJLIW • 95 FRANKLIN STREET • ROOM 1100 • BUFFALO, N.Y. • 14202
PHONE: (716) 858-8400 • FAX: (716) 858-6195 • E-MAIL: COMPTROLLER@ERIE.GOV
WHISTLEBLOWER HOTLINE FOR REPORTING WASTE, FRAUD & ABUSE: (716) 858-7722 OR E-MAIL: WHISTLEBLOWER@ERIE.GOV

here in Erie County. Other cultural and tourism treasures here in Western New York may also face some funding challenges as a result.

Currently New York State has more confirmed cases of the coronavirus than anywhere else in the U.S. That, coupled with the fact that we are very much a global economy, has caused Wall Street to see dramatic shifts in recent weeks. Much of New York State's budget relies on Wall Street receipts. Just over the last few days the Dow Jones Industrial Average was up 1,293, down 785, up 1,173, down 969, and down 256. That wild fluctuation signals the concern and uncertainty that exists. With Moody's forecasting smaller growth than previously predicted with a downturn in consumption and other dynamics, it can be expected that the economy will suffer.

If the state's bottom line suffers, then so, too, does Erie County's. As you know most of the county's budget is mandated services. Less funding from New York puts greater strain on local governments like Erie County, and the necessary services we provide.

As my office has previously stated, there are a number of financial concerns that would only be made worse should the virus continue to spread and create more unknowns. For example; the County exceeded the Medicaid 2019 budget by \$8.4 million. Those expenses are likely to only increase in 2020 and beyond as the state grapples with a budget deficit of at least \$6 billion, increased Medicaid costs, and now, questions surrounding the COVID-19 and fears over how long lasting it might be. With those increased expenses and spending at the state level, but less revenue being generated, one can assume that local governments, like Erie County, and taxpayers, will be feeling the impact.

Then there are the additional costs that come with the Board of Elections budget, the overtaxing of \$4.4 million in Community College Respreads, the growing costs of receivables and IGT expenses, (which remains underfunded), and cash shortfalls. All of these are costs that are made more troubling by the notion that coronavirus concerns, over any sustained length of time, will ultimately result in governments like Erie County having to make some challenging choices.

Again, my hope is that this letter serves as a cautionary signal about the economic toll the coronavirus could ultimately have on Erie County's finances, and to plan accordingly. My office will diligently monitor market fluctuations and other fiscal factors that could negatively impact county finances, and will report them to you accordingly. Is it possible the global reaction to this disease is blown out of proportion and strictly reactionary? Yes, it is possible. That being said, regardless of the reaction, global, national, state and local finances will be impacted, and Erie County government needs to be prepared to manage the financial consequences and repercussions.

Sincerely,



Stefan I. Mychajliw

Erie County Comptroller