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ERIE COUNTY COMPTROLLER

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COMPTROLLER MYCHAJLIW RELEASES 10-POINT DEFICIT REDUCTION PLAN

Submits proposal to the Legislature as required by Charter; no tax increase in plan

(ERIE COUNTY, NY) – Erie County Comptroller Stefan I. Mychajliw Jr. submitted a 10-Point Deficit Declaration Remediation Plan to the Erie County Legislature to erase the budget deficit that exists in Erie County. Comptroller Mychajliw declared a deficit May 4, 2020.

According to Section 2511 of the Erie County Charter, the Poloncarz Administration had seven days to submit its deficit reduction plan. They did not, as required by the Charter, by May 11. The County Charter then requires the Comptroller to submit his comments and deficit reduction plan seven days later, on May 18.

The most important component of Comptroller Mychajliw's 10-Point Deficit Reduction plan: no new taxes on already struggling businesses and taxpayers. The ten deficit reducing options provided to the Erie County Legislature states a tax increase is off the table. Under zero circumstances should Erie County government raise taxes to close budget gaps, according to the report released by the Erie County Comptroller.

"Families are hurting. Businesses are struggling. A lot of people lost their job. They can't pay their bills. On top of the pressures facing taxpayers and businesses, the last thing they need is big government raising their taxes. The Erie County Legislature now has multiple options to reduce the deficit. They cannot, under any circumstances, raise taxes," said Comptroller Mychajliw.

Depending on the severity of the deficit, the Legislature can select one, a few, or all of the proposed options put forth in Comptroller Mychajliw's deficit reduction plan. The deficit reducing options can also depend on how much future federal aid provided to the County of Erie, or the amount of state aid that is reduced:

- 1. Utilization of Third COVID-19 Federal Fiscal Package:** On April 23, 2020, Erie County received \$160 million in federal stimulus funds with the aid being spent directly on COVID-19 related expenses. Since payroll expenses for public safety, public health, health care, human services, and similar employees whose services are mostly dedicated to mitigating or responding to the COVID-19 public health emergency qualify, as many employees as possible should be paid through these stimulus funds.
- 2. Cut Vacant Positions:** These are fully funded positions in the budget, but not currently filled by a working employee. This would save the county's budgeted share \$9,804,166 in full-time vacant positions and \$1,097,180 in part-time vacant positions this year. Cutting vacant positions saves far more than eliminating filled jobs. The government would not have to pay unemployment benefits or "cash outs" like it would for exiting employees.
- 3. Fund Balance:** Maximizing the county's \$102,490,000 "rainy day" fund during a fiscal monsoon is an option for the Legislature. It can be an effective funding source for addressing unanticipated revenue shortfalls while minimizing impact on the provision of services.

If unanticipated revenue becomes available, such as unbudgeted funding from the federal or state government, these funds may then be utilized, either directly or indirectly, to replace previously utilized fund balance.

4. **A True Hiring Freeze:** The County Executive directed implementation of a hiring freeze on March 23rd, 2020. Between that time and May 15th, 2020, Erie County hired 16 individuals into county employment including a Parks Superintendent and Consumer Advocate. These two positions are not related to fighting the Coronavirus crisis, yet were hired after the so-called hiring freeze.
5. **No Additional Positions in the 2021 Budget:** Hiring freezes can be an effective tool for addressing shortfalls. True hiring freezes allow savings from vacant positions, as well as prevent the creation of new positions. Since 2013, the number of employees included in the Erie County budget has risen more than 380 positions, from approximately 5,690 to 6,072 in the 2020 budget. The Erie County Legislature must freeze hiring and not add additional positions in the 2021 budget.
6. **Voluntary Furloughs:** In these arrangements, employees request and are approved to be temporarily laid off, with a projected return to work in August, 2020. It would allow Erie County to save funds to be used to address revenue shortfalls. For some employees, the money received with unemployment would result in payments higher than their normal income. This would result in more money available to employees to spend at businesses in our community.
7. **Early Retirement Incentive:** “Out-year” savings would be realized by reducing pension payments and salaries, since higher paid employees in “Tier 4” of the New York State Pension System would be replaced by lower-paid “Tier-6” employees. Because it is anticipated that fiscal challenges will persist into 2021, it may be advantageous to explore the use of this tool now.
8. **Deficit Financing:** Deficiency Note or Bond. This borrowing instrument, usually paid over five to ten years, could be utilized to borrow as much as \$100 million.
9. **Additional Federal or State Aid:** Since at this point it is not possible to know what additional aid, if any, will be received, at this point that amount is \$0. If any aid is received, it should be applied to revenue shortfall, provided it is permitted for those purposes. Remediation plans could later be altered to account for those funds.
10. **Layoffs/Spending Cuts:** Eliminating filled positions in 2020 will have little to no impact on the deficit because Erie County is self-insured for unemployment, therefore Erie County is responsible for unemployment obligations. In addition, employees have already been fully compensated for half of 2020. However, since 2013 the County of Erie has added more than 380 jobs, and has increased spending in the general fund by approximately \$179 million. The Legislature can reduce the amount of positions and/or spending to 2012 levels, which would greatly benefit taxpayers by closing budget gaps without a tax increase.

The Erie County Legislature now has numerous options rather than just the 13.1 percent across the board cut proposed by the Erie County Executive. In order to accomplish that goal, the Office of Erie County Comptroller could eliminate seven vacant positions for a total savings of \$529,000. \$367,107.99 is saved on salaries. \$183,554.00 is saved on fringe benefits for a total of \$550,661.99. This would allow the Comptroller’s Office to meet the targeted threshold of a 13.1 percent reduction.

“We are being team players during this process. The County Executive wanted me to propose a 13.1 percent cut of my budget. I did that. To save money throughout the year, I asked employees to work harder, to do more with less. I’m pleased we did. This allows me to cut 13.1 percent of my budget without reducing services to the taxpayer. The private sector is tightening its belt. So should government,” concluded Comptroller Mychajliw.

This Office of Erie County Comptroller also continues securing a \$125 million Revenue Anticipation Note (RAN) in order to ensure Erie County can continue to pay its obligations. This is considered a low interest, short-term loan, to be paid at a later date using anticipated revenues.

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