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**CONTACT:** Peter Anderson / Peter.Anderson@erie.gov

Phone: (716)858-8500 / Mobile: (716) 270-7842

**COVID-19 PANDEMIC, RESPONSE PUTTING PRESSURE ON**

**ERIE COUNTY BUDGET**

*Even with anticipated federal relief funding, county faces significant loss of sales tax, bed tax,*

*and other major revenues*

*COVID-19 related shutdowns having wide-reaching economic impacts*

**ERIE COUNTY, NY—** The pressures of the COVID-19 pandemic and the ongoing response to it in Erie County are reaching beyond the immediate need to treat and care for coronavirus victims. The pandemic is now impacting the county’s budget as well, with unbudgeted-for pandemic response equipment and personnel costs adding millions of dollars in expense to the county budget even as sales tax receipts shrink due to business closures under shutdowns like NY Pause. While some amount of federal relief funding is expected, that funding by itself will not solve the looming fiscal crisis, leaving an increasing likelihood that ongoing county functions and services will be impacted across all departments due to the fiscal stress that COVID-19 response is putting on the county budget.

The economic impact of COVID-19 related shutdowns like NY Pause cannot be overstated. Recent M&T economic [reports](https://www.wilmingtontrust.com/repositories/wtc_sitecontent/PDF/Capital_Perspectives_04_08_2020.pdf) forecast a national reduction in Gross Domestic Product (“GDP”) of 9.4% for all of 2020, including a 40% reduction in GDP for the second quarter of the year alone. Along with that, economists also project that there will be national job losses of 34.4 million, leading to an unemployment rate of 24.4% by the summer of 2020, at the same time that consumer spending is projected to drop by 31.2% due to COVID-19 related shutdowns. While exact local unemployment figures have yet to be released, published reports note more than 60,000 Western New Yorkers have filed for unemployment since March 28.

The impact locally will be great, as Erie County government and every City, Town, Village and school district in the county rely on consumer spending and the resulting sales taxes for significant portions of their budgets’ revenues.

“The strains that the COVID-19 pandemic is placing on our community will continue to grow and will be widely felt across Erie County as the economic effects of NY Pause and similar virus containment measures begin to sink in. While we have been protecting public health as much as possible by enacting measures to reduce community spread, the results of these actions mean that economic activity has precipitously dropped across all sectors,” **said Erie County Executive Mark C. Poloncarz**. “A drop in GDP such as what is projected will push the country close to an economic depression and Erie County would certainly feel those effects, which would ripple out through every municipality and school district. A concurrent loss of sales tax revenue, as well as the loss of bed tax revenue from hotel rooms going unused, would deal a devastating blow to the county budget and the budgets of every one of our communities.”

Sales tax receipts, which are completely dependent on consumer spending, make up the largest portion of Erie County’s operational Budget at $456,973,574 with an additional $372,320,855 shared with all municipalities and school districts. If the county sees a decline in consumer spending in line with what M&T and many other economists project, Erie County could potentially lose $140 million in sales tax revenue with much of that impact starting as soon as the second quarter of 2020.

“The coming economic storm is real and we must be as prepared as we can be to keep Erie County moving forward. This is why we are going to market to issue a short-term bond for approximately $120 million so we have sufficient cash on hand to cover county expenses at least through the summer, when we hope sales tax revenue will begin to increase again,” **Poloncarz continued.** “The loss of sales tax, however, will also be accompanied by the loss of other revenues as well as a large decrease in fees and fines. Taken together, Erie County could very realistically be facing a revenue shortfall of $200 million. To put that in perspective, Erie’s County’s **total** discretionary spending for 2020 totals $147,559,497.”

Discretionary spending in the county budget provides for non-mandated services and programs, including the Erie County Sheriff’s department, the Buffalo & Erie County Public Library system, funding for highways and road repairs, the county Parks system, funding for arts & cultural organizations, and Buffalo Bills-related spending under the current lease. Discretionary spending also funds the county crime lab, the Medical Examiner’s office, the Senior Services and Central Police Services departments, and tourism promotion, among many other items.

Revenue losses could be further exacerbated by changes in New York State’s recently-passed budget that now allow the NYS Budget Director to reduce payments to localities at his own discretion. Currently, NYS aid makes up an additional $194,950,597 of Erie County’s budget, a figure that could now be reduced by tens of millions of dollars.

Relief from the federal government has taken two forms during this crisis. In the second COVID-19 bill, Congress modified the Medicaid sharing formula to take on more of the cost. This enhanced Federal Medicaid Assistance Payment is expected to save Erie County approximately $30 million, **as long as a State of Emergency remains in effect for the rest of 2020**. In the third COVID-19 bill, the CARES Act, Congress created a relief fund for states and municipalities with 500,000 or more people. Erie County could be awarded up to $159 million from this fund. The caveat with this is that the funding can only be used for unbudgeted expenses incurred due to COVID-19 and **cannot be used to close the county’s budget gap relating to revenue shortfalls**. There are national calls for a fourth COVID-19 bill that would cover revenue losses to states and counties, but in order to be sufficient it is estimated that bill may need to provide at least $600 billion in funding for distressed municipalities.

“Erie County must carefully conserve cash **right now** to ensure that we can even continue operations through the summer. This will force difficult decisions and more scrutiny than ever on expenditures, but belt-tightening at the county level will not be enough to do the job,” **Poloncarz concluded.** “Erie County, like every other county in our nation, needs federal intervention on a large scale to forestall this growing crisis. I am calling on Congress and the president to craft a new COVID-19 bill that augments its predecessors and goes even further to make our communities, and local governments who are on the frontlines in the battle against the coronavirus, whole again. This is a critically-needed and unprecedented investment in American workers, American families, and American society.”