

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 & other major revenues

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

From the county executive's office:

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 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," Erie County Executive Mark C. Poloncarz said. "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 and 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 allows the state budget director to reduce payments to localities at his own discretion. Currently, New York 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 said. "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."

Cuomo: 'NYS on PAUSE' extended until May 15

Enacts in-public face-covering mandate

Gov. Andrew Cuomo on Thursday, April 16, announced he is extending the "New York State on PAUSE" mandate until May 15, as he wants to see the COVID-19 infection rate lower before he reopens schools and businesses.

He tweeted, "New York on PAUSE will be extended in coordination with other states to May 15. Non-essential workers must continue to stay home. Social distancing rules remain in place. We must STAY THE COURSE."

All "New York State on PAUSE" restrictions and closures are now extended an additional one month. This action, Cuomo said, is taken in consultation with other regional states. He has been working with New Jersey Gov. Phil Murphy, Connecticut Gov. Ned Lamont, Pennsylvania Gov. Tom Wolf, Delaware Gov. John Carney, Rhode Island Gov. Gina Raimondo and Massachusetts Gov. Charlie Baker.

The respective governors will re-evaluate closures as this new period draws to a close.

"Unpausing New York and reopening our economy is going to be an ongoing process over the coming weeks that we're working through with other states, but we have to do it in a way that doesn't drive up the infection rate and create a second wave of the virus," Cuomo said. "We have shown that we can control the spread of the virus, but we can't now undo all the progress we've made."

"As we continue to work on a regional plan to get people back to work and get businesses back up and running in a safe and responsible way, we are extending all 'New York State on PAUSE' functions until May 15 in coordination with other states in our multistate council because, although we can control the beast, we need to get that infection rate down even more, and we are not there yet."

Earlier in the week, Cuomo said, "Everybody's anxious to reopen. ... People need to get back to work. ... The worst scenario would be if we did all of this, we got that number down, everybody went to extraordinary means, and then we go to reopen and we reopen too fast or we reopen and there's unanticipated consequences and we see that number go up again."

•Lt. Gov. Kathy Hochul has been tasked with spearheading when and how Western New York will come out of its "New York on PAUSE" restrictions.

At a press conference Tuesday morning at Roswell Park Comprehensive Cancer Institute in Buffalo, Cuomo announced the state will take a regional approach to reopening and will make decisions on which counties and regions to open, and when to open them, based on the facts and data specific to that area.

Hochul will coordinate the public health and reopening strategy.

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