



COMM. 8D-2
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COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE

April 21, 2025

Erie County Legislature
92 Franklin Street
Buffalo, NY 14202

Re: February 2025 Budget Monitoring Report

Dear Honorable Members:

As you are aware, the Erie County Charter and Code (specifically the Code Section 25.04 (7)) calls for the preparation of a monthly Budget Monitoring Report (BMR) beginning in the 2nd quarter of the fiscal year. For January and February, the County does not go through the accrual process to produce monthly financial results. Thus, a "traditional" BMR for those months cannot be prepared. A traditional BMR will be released covering March 2025 year-to-date activity in early May after the March monthly closing process has been finalized.

As is identified in the 2024 Year-End Budget Balancing Amendments and Designations Resolution communicated to your Honorable Body earlier today, the County's 2024 fiscal year is expected to close with a surplus of \$26.4 million dollars, ending the year approximately 1.35% favorable as compared to budget. After factoring in the proposed year-end designations, we expect to assign \$7.2 million to Unassigned Fund Balance for a 2024 ending balance of \$148.3 million, an amount equal to approximately 10.2% of the 2024 Adopted General Fund Budget (minus shared sales tax).

While we ended 2024 with a \$25.6 million sales tax budget shortfall as receipts remained almost flat compared to 2023 (down -0.06% or \$393,794), early 2025 sales tax receipts are trending positively. Specifically, February 2025 year-to-date sales tax receipts have grown nearly 12% or \$10.6 million compared to 2024.

This time last year, I was alerting this Honorable Body of a significantly negative first quarter reconciliation (Dec 2023 – Feb 2024) where we saw a 49% or \$9.7 million reduction versus 2023 as a result of the temporary residential energy sales tax exemption in effect during that same period. However, this year, I am happy to report on a significantly positive first quarter reconciliation that shows 82% or \$15.5 million in growth versus last year. For a bit of perspective, most of this wild swing is due to the comparison with a uniquely negative reconciliation last year. However, when trying to factor out that wild swing, we still saw growth of more than 18% or \$5.3 million when compared to the same period in 2023.

This data seems to support a trend I have noticed and discussed with this Honorable Body over the past year where we have seen the regular monthly sales tax payments underperforming the prior period only to end up actually demonstrating modest growth on the heels of a significant quarterly reconciliation. In consultation with the New York State Association of Counties, it is our belief that this is all related to the proliferation of internet sales tax. Specifically, we believe that the State is still having significant difficulty in accurately modeling the distribution of sales tax receipts from internet sales tax between the counties and New York City, which is resulting in overly conservative initial monthly payments that distribute too little sales tax to counties, to be corrected in the quarterly reconciliations.

As positive as these early sales tax receipts are, I don't think we can assume this trend will continue due to the economic instability being caused at the federal level by the current Administration. The receipts we have received (including the recent reconciliation) mostly pre-date the federal funding freezes and the onset of the trade war against our closest ally and direct neighbors to the north in Canada. It has recently been reported that border traffic into the United States from Canada has declined by as much as 30% in the last few months. The only uncertainty is exactly how large an impact this will have on our sales tax receipts and when we will begin to realize it.

As the year progresses, we will continue to closely monitor sales tax receipts and growth trends and continue to take a cautious approach to all programs and grants supported by federal aid in hopes of minimizing any negative budgetary impacts as a result of the unanticipated (and often illegal) withholding of that aid.

Sincerely,



Mark Cornell
Director of Budget and Management

cc: County Executive Mark C. Poloncarz
Erie County Fiscal Stability Authority