County of Erie

MARK C. POLONCARZ
COMPTROLLER

May 13, 2009

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

Dear Honorable Members:

As you know, Erie County ("County") relies on the sales and compensating use tax ("sales tax") for approximately one-third of our revenues.

The County has just received final March 2009 sales tax revenues from the State and the data shows that compared to the same month in 2008, March 2009 receipts are down 12.35%. In addition, total aggregate sales tax revenues are 3.07% below budget for the first three months of 2009. This negative development reflects the continuing poor state of the local, state, national and international economies and less consumer spending.

On May 11, 2009, the Collins Administration sent to the Erie County Fiscal Stability Authority a revised Four Year Financial Plan ("Plan"). The Plan has reduced the projected 2009 sales tax revenue by $12.7 million, or roughly 3%. The Plan also projects annual 2010-2012 sales tax *growth* of 3%. This account will continue to require close monitoring.

Additionally, in their recently-released budget monitoring report for January-March 2009 the Collins Administration stated that year-to-date sales tax revenue was $976,251 under-budget. In fact, the updated data shows the County is actually under-budget by $2,840,411 at the end of March 2009.

Since September 2007 I have cautioned about the County's over-dependence on sales tax to support operations. While we only have three full months of sales tax data to analyze, the trend is negative and disconcerting. Finally, as you know, any reduction in sales tax also impacts local municipalities and school districts which all receive County sales tax distributions.

Sincerely yours,

Mark C. Poloncarz, Esq.
Erie County Comptroller

MCP/dt
cc: Gregory Gach, Director of Budget and Management
Christopher Collins, County Executive
Erie County Fiscal Stability Authority

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