

2021 Economic State of the County

PRESENTED TO:

BOARD OF SUPERVISORS

JANUARY 15, 2021

Pandemic Exposes (3) Risks to County Economy

- ▶ Pandemic created public health, economic, & fiscal crises
- ▶ Through proactive policies, the county has addressed many of the public health challenges of the pandemic – fewer deaths than surrounding counties
- ▶ Three (3) economic risks have emerged in 2020:
 1. Underdeveloped Economy
 2. Overreliance on State Aid
 3. Higher-Than-Average Cost of Government

Risk #1: Higher-Than-Average Cost of County Government

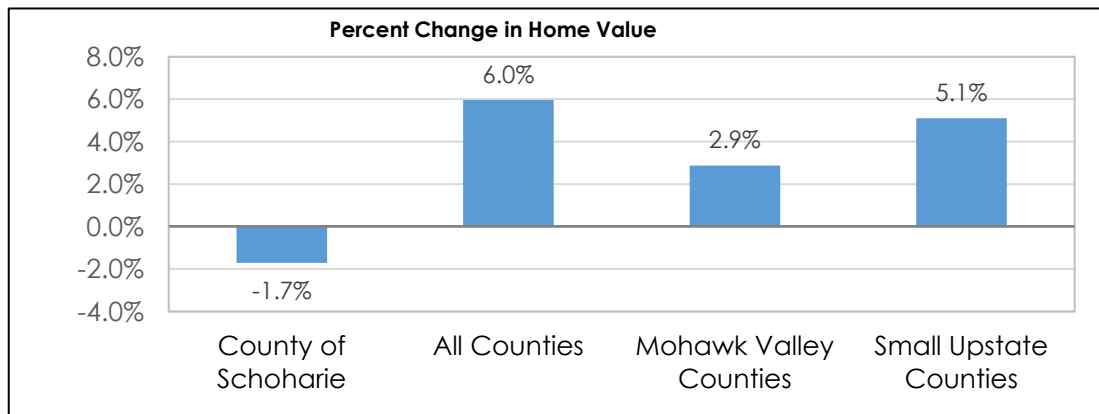
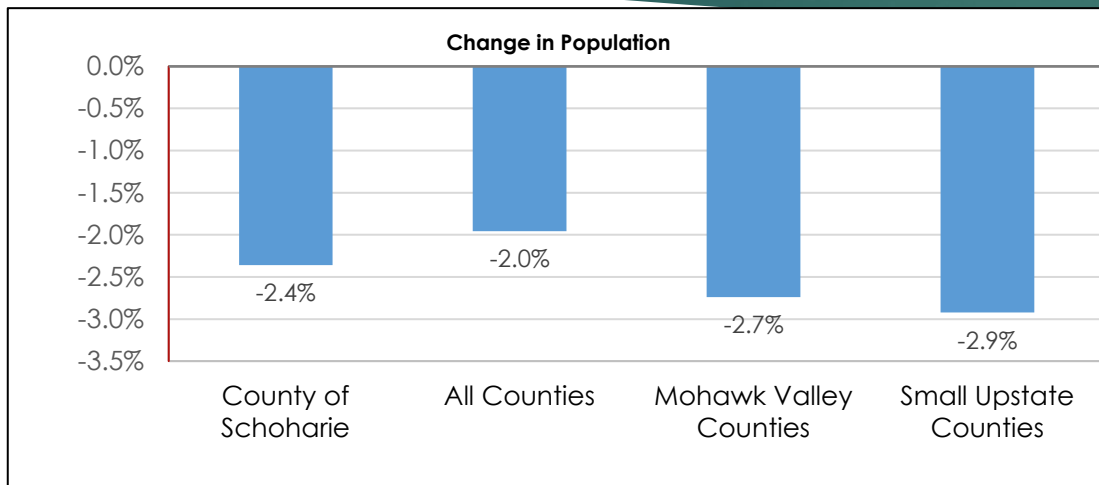
Government in Schoharie County Cost Taxpayers 28% More Than in Surrounding Counties

	<u>2020 Adopted Budget Appropriations</u>	<u>Population</u>	<u>Spending Per Capita</u>
Herkimer	\$103,229,692	61,833	\$1,669
Otsego	\$120,668,732	59,749	\$2,020
Schenectady	\$336,281,273	155,350	\$2,165
Albany	\$732,909,677	307,117	\$2,386
Delaware	\$122,647,301	44,527	\$2,754
Montgomery	\$119,588,340	49,455	\$2,418
Greene	\$122,350,260	47,491	\$2,576
Schoharie	\$91,165,456	31,097	\$2,932

Sources: Respective County Budgets & US Census Data

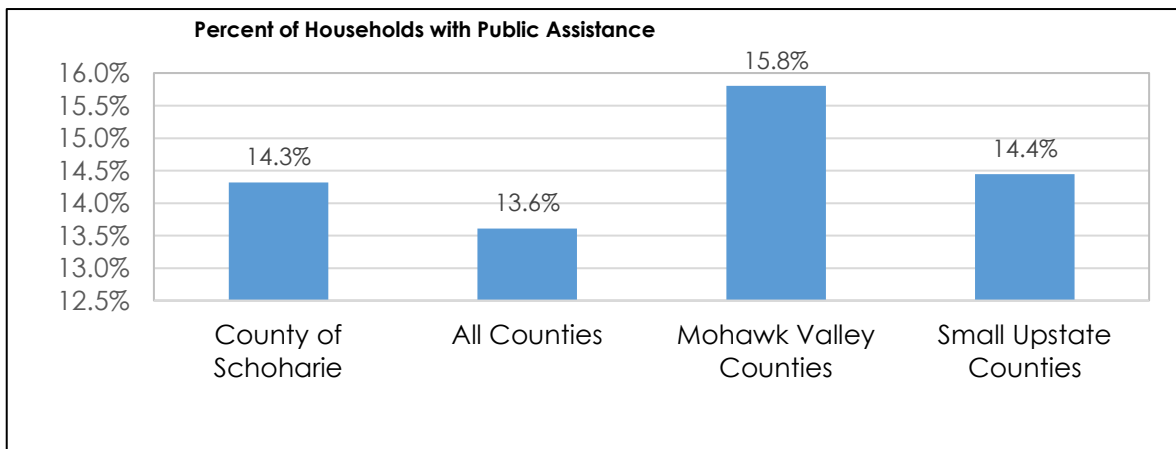
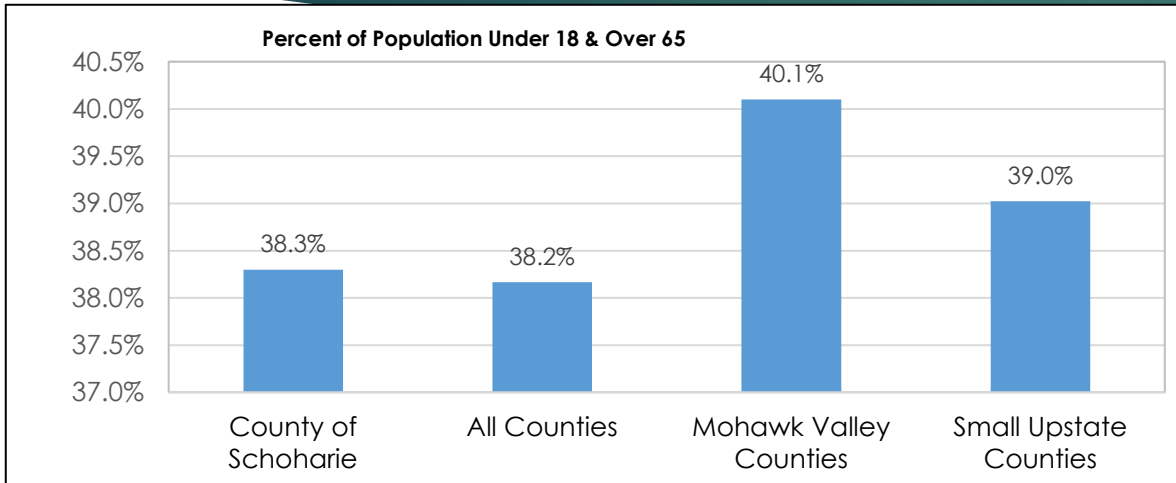
- ▶ Average per capita county spending of contiguous/similar counties is \$2,284. Schoharie County spends \$648 per person more on its government.
- ▶ Do the residents of Schoharie County require the additional spending?

Population Loss & Home Values



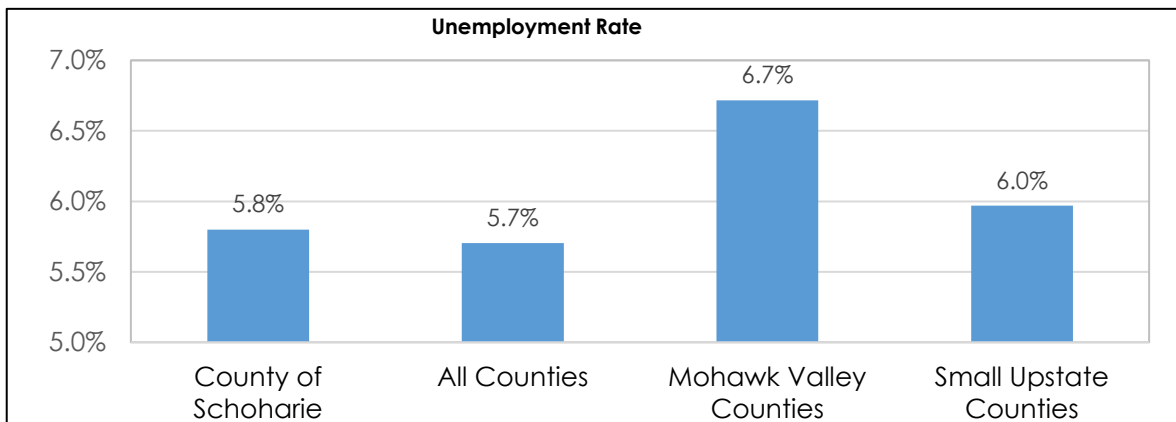
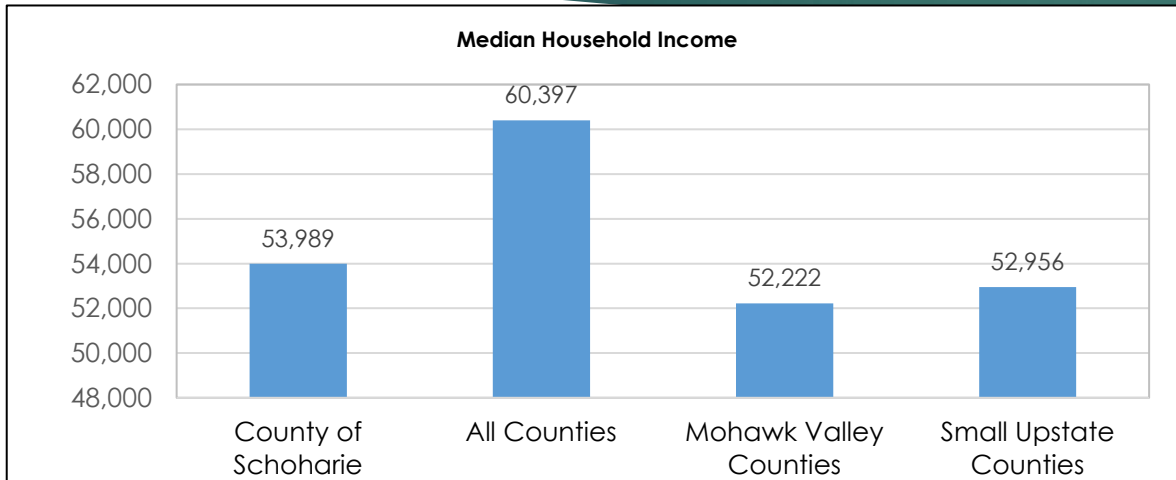
- ▶ Schoharie County is losing population, but not as fast as Mohawk Valley Counties or Small Upstate Counties.
- ▶ Schoharie Home Values growth was less than all comparatives in 2019, but in 2020 we may be seeing a rebound given the increase in transactions and selling prices.

Vulnerable Populations & Households on Public Assistance



- ▶ Schoharie County has lower levels of vulnerable populations and is on par with the “All Counties” average of those under 18 years of age or over 65.
- ▶ The percent of Schoharie households receiving public assistance is lower than in Mohawk Valley counties or Small Upstate counties.

Household Income & Unemployment Rate



- ▶ Schoharie County's median household income is higher than Mohawk Valley counties and Small Upstate counties.
- ▶ Schoharie County's unemployment rate in 2019 was better than Mohawk Valley counties and Small Upstate counties and on par with the "All Counties" average.

Risk #2: Underdeveloped Local Economy

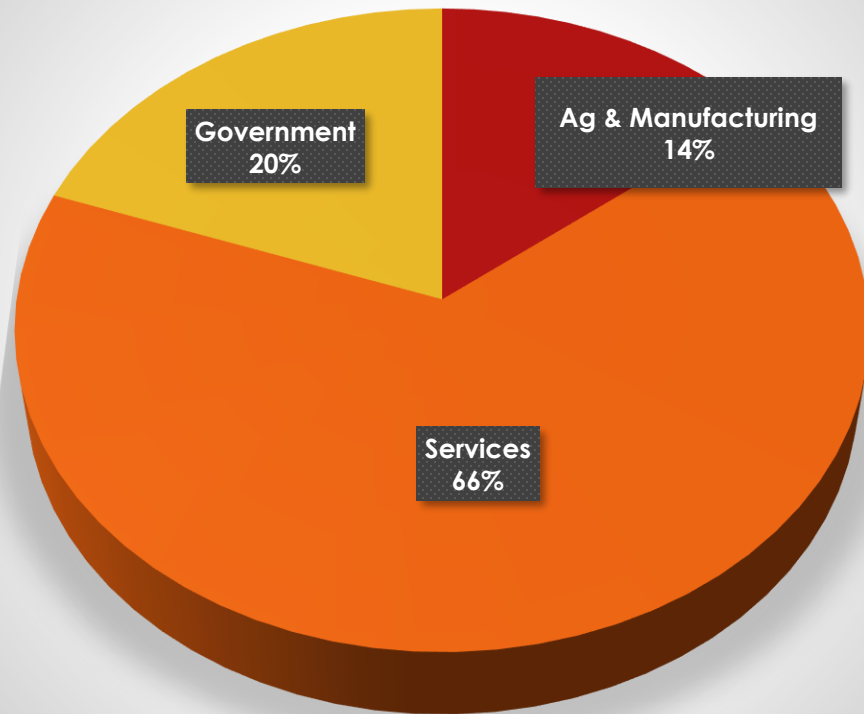
Schoharie's Economy Is Smaller Than All Surrounding Counties

	2019 Real GDP (Chained 2012 \$)					
<u>County</u>	<u>Goods</u>	<u>Services</u>	<u>Government</u>	<u>Total</u>	<u>Population</u>	<u>GDP Per Capita</u>
Albany	\$2,131,722,000	\$20,837,666,000	\$6,337,188,000	\$29,306,576,000	307,117	\$95,425
Schenectady	\$1,602,375,000	\$5,561,317,000	\$910,936,000	\$8,074,628,000	155,350	\$51,977
Otsego	\$255,853,000	\$1,922,738,000	\$337,696,000	\$2,516,287,000	59,749	\$42,114
Greene	\$261,766,000	\$1,520,463,000	\$359,803,000	\$2,142,032,000	47,491	\$45,104
Delaware	N/A	N/A	N/A	\$1,968,259,000	44,527	\$44,204
Montgomery	N/A	N/A	N/A	\$1,898,461,000	49,455	\$38,388
Schoharie	\$153,657,000	\$703,827,000	\$208,256,000	\$1,065,740,000	31,097	\$34,271

- ▶ Surrounding counties range in size from Albany at \$29B annually to Schoharie at \$1B annually.
- ▶ County economy is 78% smaller than the next smallest county economy when comparing contiguous counties. We produce \$800 million less in economic activity than Montgomery County.
- ▶ Per capita, Schoharie County's economic output is 64% less than the largest economy and 22.5% less than the second smallest economy.
- ▶ Our economy performance is in last place even with 5% average GDP growth between 2016 & 2019.

Schoharie County's Economy Is A Service Economy

2019 Schoharie County GDP By Sector



- ▶ There are 3 major sectors in the economy: Ag & Manufacturing, Services, & Government.
- ▶ Services is the largest of the Schoharie Economy at 65% of total GDP.
- ▶ On average since 2001, only the Service sector of Schoharie's economy has a positive growth rate.

Average Annual GDP Growth (2001-2019)	
Ag & Manufacturing	-0.15%
Services	2.04%
Government	-0.70%

Schoharie County's Economy Is A Basic Needs Economy

Taxable Sales Comparison (Q2 2019 vs. Q2 2020)							
Rank	Description	2019		Rank	Description	2020	
		June - Aug				June - Aug	
1	Automobile Dealers	\$17,305,010		1	Automobile Dealers	\$18,760,155	
2	Gasoline Stations	\$12,173,229		2	Gen Merch, stores, Warehouse Clubs & Supercenters	\$11,510,159	
3	Gen Merch, stores, Warehouse Clubs & Supercenters	\$11,109,624		3	Gasoline Stations	\$9,865,825	
4	Restaurants & Other Eating Places	\$6,887,181		4	Electronic Shopping & Mail-Order Houses	\$8,474,123	
5	Other Misc Store Retailers	\$4,053,557		5	Restaurants & Other Eating Places	\$6,090,995	
6	Building Materials & Supply Dealers	\$3,653,098		6	Building Materials & Supply Dealers	\$4,634,429	
7	Lawn & Garden Equipment & Supplies Stores	\$3,419,298		7	Other Misc Store Retailers	\$4,541,344	
8	Electronic Shopping & Mail-Order Houses	\$3,242,928		8	Lawn & Garden Equipment & Supplies Stores	\$4,071,690	
9	Grocery Stores	\$3,174,559		9	Grocery Stores	\$3,308,105	
10	Administration of Economic Programs	\$3,033,643		10	Administration of Economic Programs	\$3,145,530	
11	Wired & Wireless Telecommunications Carriers	\$2,524,172		11	Other Motor Vehicle Dealers	\$2,571,626	
12	Amusement Parks & Arcades	\$2,342,947		12	Automotive Parts, Accessories, and Tire Stores	\$2,423,819	
13	Office Administrative Services	\$2,196,596		13	Wired & Wireless Telecommunications Carriers	\$2,422,846	
14	Automotive Parts, Accessories, and Tire Stores	\$2,093,159		14	Direct Selling Establishments	\$2,090,841	
15	Direct Selling Establishments	\$1,937,642		15	Automotive Repair & Maintenance	\$1,824,352	
16	Automotive Repair & Maintenance	\$1,931,460		16	Other Information Services	\$1,461,665	
17	Other Motor Vehicle Dealers	\$1,873,325		17	Petroleum & Petroleum Products Merch Wholesalers	\$1,420,859	
18	Petroleum & Petroleum Products Merch Wholesalers	\$1,709,231		18	Electric Power Generation, Transmission, Distribution	\$1,207,449	
19	Electric Power Generation, Transmission, Distribution	\$1,452,490		19	Machine/Equipment & Supplies Merchant Wholesalers	\$1,111,706	
20	Highway, Street, & Bridge Construction	\$1,107,461		20	Pulp, Paper, & Paperboard Mills	\$1,091,158	
		\$87,220,610				\$92,028,676	
	2019 Q2 Total Taxable Sales	\$113,573,766			2020 Q2 Total Taxable Sales	\$119,656,730	
	Top 20 as a % of Total Sales	76.8%			Top 20 as a % of Total Sales	76.9%	

Source: NYSAC Report: "Coronavirus Economic Impact: Taxable Sales Comparison"

- ▶ County economy provides little more than basic services for residents.
- ▶ Early data show some concerning trends due to the pandemic economy:
 - ▶ Tourism industry may not recover from business closures
 - ▶ Electronic commerce may replace local shopping and hurt local small businesses
 - ▶ The increase in electronic shopping may indicate the loss of local small businesses
- ▶ Watching the data as it develops will tell us what the pandemic has done to our economy

The Size & Strength of the Local Economy Is Insufficient To Fund Increased County Costs

2020 Sales Tax (January-November)				
Counties with Lowest Sales Tax Revenues				
County	2020 Rank	2019 (millions)	2020 (millions)	Percentage Change
Essex	40	\$28.8	\$27.9	-3.0%
Cortland	41	\$28.1	\$27.2	-2.9%
Franklin	42	\$22.6	\$23.5	3.9%
Seneca	43	\$24.9	\$22.8	-8.5%
Chenango	44	\$22.1	\$21.8	-1.3%
Tioga	45	\$22.8	\$21.4	-5.9%
Delaware	46	\$19.7	\$21.1	6.8%
Allegany	47	\$19.7	\$20.7	4.8%
Fulton	48	\$20.0	\$20.5	2.3%
Washington	49	\$19.6	\$19.8	0.9%
Wyoming	50	\$17.0	\$17.3	2.0%
Orleans	51	\$15.7	\$16.8	7.3%
Schoharie	52	\$14.4	\$14.8	2.5%
Yates	53	\$12.1	\$12.6	4.3%
Lewis	54	\$11.6	\$11.7	0.8%
Schuyler	55	\$10.7	\$10.1	-5.3%
Hamilton	56	\$3.8	\$3.6	-3.6%

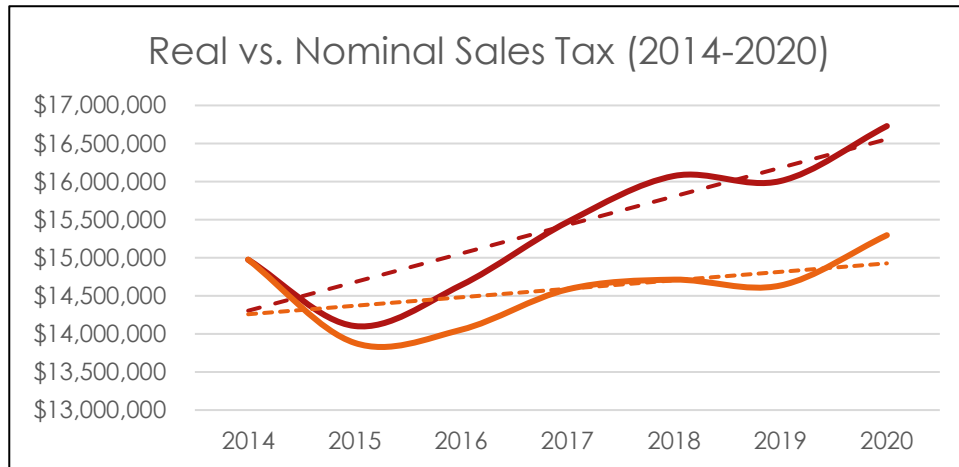
Q2 Taxable Sales	
Albany	\$1,815,564,046
Schenectady	\$684,803,349
Otsego	\$264,173,984
Greene	\$252,242,430
Montgomery	\$239,403,989
Herkimer	\$232,080,284
Delaware	\$180,391,945
Schoharie	\$119,656,730

Change In Taxable Sales from Previous Quarter			
	Q1 Change	Q2 Change	Improvement
Delaware	-5.90%	10.50%	16.40%
Schenectady	-11.20%	2.20%	13.40%
Montgomery	-4.60%	8.70%	13.30%
Greene	-6.30%	4.30%	10.60%
Schoharie	-5.10%	5.40%	10.50%
Herkimer	-7.80%	1.00%	8.80%
Albany	-14.20%	-6.50%	7.70%
Otsego	-17.50%	-15.80%	1.70%

Source: Coronavirus Economic Impact: Taxable Sales Comparison

- ▶ Schoharie County Ranks **52 of 56** “Upstate” counties in sales tax revenue.
- ▶ Of contiguous counties, Schoharie County was **last** in taxable sales. Next closest county was 33% larger than us.
- ▶ Schoharie's “Q3 Recovery” for taxable sales was **average** compared to other contiguous counties. This may forecast a weaker long-term recovery post pandemic.
- ▶ A small economy without high-growth potential could add stress to property tax levies in the future.

Sales Tax Revenues Have Not Kept Up with Recent Economic Growth

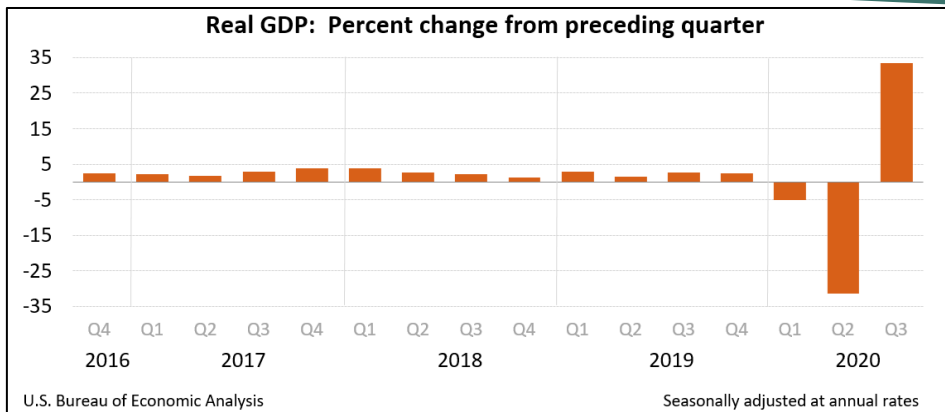


Year	Real GDP	% Change Previous Yr
2014	\$868,058,000	0.04%
2015	\$875,456,000	0.85%
2016	\$912,705,000	4.25%
2017	\$981,840,000	7.57%
2018	\$1,011,202,000	2.99%
2019	\$1,065,740,000	5.39%
	Average:	3.52%

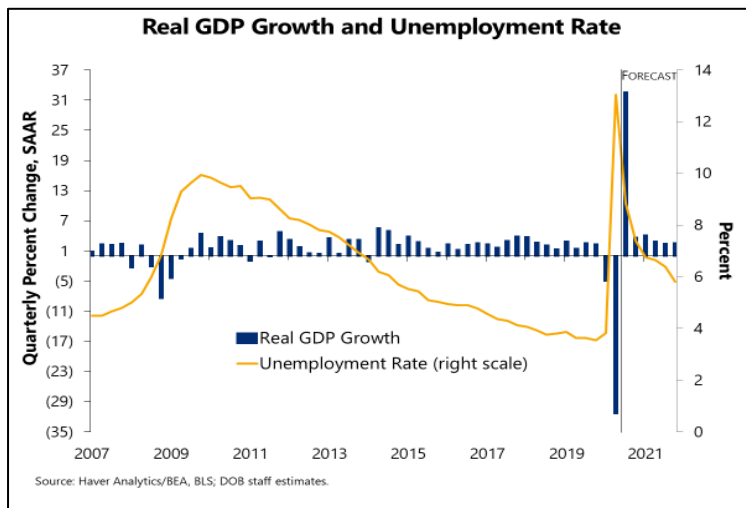
- ▶ Schoharie County's GDP (adjusted for inflation) has grown 3.52% since 2014. However, sales tax revenues (adjusted for inflation) grew .4% during the same time.
- ▶ Even with recent growth, because the local economy is small and basic, local consumers must look outside the county to spend their money.
- ▶ When the pandemic ends and recovery begins, the county has fewer enticements to interest consumers and attract spending.
- ▶ Without a dynamic economy, paying for increases in services will fall primarily on the property tax.
- ▶ That would jeopardize the county's competitive advantage as a "low cost" location.

Risk #3: Economic Realities & Lower State Aid

Pandemic's Second Wave Jeopardizes the Nation's Recovery



- ▶ US GDP dropped by \$2.04 trillion in Q2 – a 32.8% decline
- ▶ Pandemic unemployment peaked in April, with national unemployment rate at 14.7%.
- ▶ US GDP & unemployment bounced back in Q3 – however the net contraction in the US economy is \$40 billion.
- ▶ Q4 economic performance has been consistently revised downward



NYS Economic Losses Second only to California in Severity

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- ▶ NYS economy contracted by 11% in Q2. That is a loss of \$190 billion.
- ▶ In Q2, NYS's recovery ranked 41st out of 50 states.
- ▶ Directly translates into lost state revenues and projected state budget deficits.
- ▶ State revenues are down \$3 billion from this time last year.
- ▶ This effects 2020's final balance of payments **AND** state aid in future years.

NYS Revenue Losses Will Hurt County Governments

OTPA Office of Tax Policy Analysis		New York State Department of Taxation and Finance		FISCAL YEAR COMPARISON OF NET COLLECTIONS			
				November 2020			
(in thousands)							
State Taxes	Net Collections	Estimated Receipts 6/	Net Collections		Difference		
	2019-2020	2020-2021	2019-2020	2020-2021	Amount	Percent	
Personal Income Tax 1/	\$53,659,401	\$49,046,411	\$37,317,112	\$31,965,350	-\$5,351,762	-14.3	
User Taxes	\$17,010,501	\$14,647,525	\$12,997,475	\$9,841,232	-\$3,156,243	-24.3	
Sales and Use 2/	14,933,167	12,687,300	11,386,962	8,475,024	-2,911,938	-25.6	
Motor Fuel	511,845	453,825	395,285	286,291	-108,994	-27.6	
Cigarette/Tobacco Products 1/	1,035,160	971,000	818,934	714,166	-104,768	-12.8	
Medical Marijuana	5,698	6,000	4,254	5,411	1,157	27.2	
Opioid Excise	19,356	0	0	22,585	22,585	NA	
Alcoholic Beverage	259,018	266,000	199,476	189,945	-9,531	-4.8	
Highway/Fuel Use 1/	141,385	131,000	110,215	90,359	-19,856	-18.0	
Auto Rental 3/	138,330	68,400	93,193	32,418	-60,775	-65	
Vapor Products Registration	2,272	0	2,108	2,101	-7	-0.3	
Vapor Products Tax	10,389	14,000	0	18,702	18,702	NA	
Business Taxes	\$7,823,650	\$7,697,610	\$5,641,944	\$3,863,894	-\$1,778,050	-31.5	
Corporation Franchise	3,791,131	3,882,000	2,801,109	1,955,392	-845,717	-30.2	
Corporation & Utilities 1/	832,630	781,200	530,323	339,717	-190,606	-35.9	
Banks	7,916	225,000	-27,935	145,863	173,798	622.2	
Insurance (Article 33)	1,904,118	1,795,000	1,317,781	771,903	-545,878	-41.4	
Direct Writings	14,410	- - -	10,893	11,641	748	6.9	
Petroleum 1/, 4/	1,160,775	1,014,410	897,103	639,378	-257,725	-28.7	
Property Transfer Taxes 5/	\$2,193,933	\$0	\$1,670,759	\$1,372,808	-\$297,951	-17.8	
Estate	1,070,145	1,100,000	813,531	833,409	19,878	2.4	
Real Estate Transfer	1,123,767	949,000	857,207	539,398	-317,809	-37.1	
Other Revenues	\$166,368	\$0	\$136,951	\$108,815	-\$28,136	-20.5	
Pari-Mutuel	13,917	0	12,161	7,222	-4,939	-40.6	
Hazardous Waste Assessments	1,539	0	1,269	918	-351	-27.7	
Waste Tire Management and Recycling Fees	28,415	0	23,903	13,532	-10,371	-43.4	
Returnable Container Deposits	117,172	0	95,517	85,804	-9,713	-10.2	
Tax Return Preparer Registration Fees	1,310	0	639	-36	-675	-106	
Racing Admissions	403	0	397	3	-394	-99	
Authorized Combative Sports Tax	1,619	0	1,573	71	-1,502	-95.5	
Employer Compensation Expense Tax	1,994	3,300	1,492	1,301	-191	-12.8	
Total - State Taxes and Fees	\$80,853,853	\$73,609,282	\$57,764,241	\$47,152,099	-\$10,612,142	-18.4	

- ▶ Through November, net collections are down 18.4% for NYS.
- ▶ DOB projects the state's general fund balance will decrease by 19%.
- ▶ DOB projects the following deficits:
 - ▶ FY 2021-2022: \$8.725 billion
 - ▶ FY 2022-2023: \$9.743 billion
 - ▶ FY 2023-2024 \$9.419 billion
- ▶ Those deficits already include \$8 billion in local aid cuts. **How will the state fill this budget gap?**

Overreliance on State Aid Could Mean Higher Property Taxes

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS (millions of dollars)				
	FY 2021 Updated	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
EXECUTIVE BUDGET (FEB. 2020) SURPLUS/(GAP)	0	(1,939)	(3,313)	(3,266)
Receipts Revisions	(14,922)	(16,328)	(15,922)	(15,665)
UPDATED BUDGET SURPLUS/(GAP)	(14,922)	(18,267)	(19,235)	(18,931)
Changes to Exec. Proposals Adopted in Enacted Budget:	782	911	737	618
School Aid - Offset by Federal Funds	1,169	1,791	1,986	2,278
Medicaid	(100)	(778)	(1,160)	(1,543)
Legislative Adds	(180)	(10)	(10)	(10)
Legislative Rejection of Executive Proposals	(107)	(92)	(79)	(107)
Budget Control Actions:	10,165	9,178	9,170	9,224
Budget Balance Reductions (Aid to Localities)	8,180	8,010	8,010	8,010
Cash Management Withholds (Apr-Sep)	2,354	0	0	0
Financial Plan Reconciliation	(2,354)	0	0	0
School Aid	tbd	tbd	tbd	tbd
Medicaid/Health	tbd	tbd	tbd	tbd
Higher Education	tbd	tbd	tbd	tbd
Social Services	tbd	tbd	tbd	tbd
Mental Hygiene	tbd	tbd	tbd	tbd
Transportation	tbd	tbd	tbd	tbd
Other	tbd	tbd	tbd	tbd
Agency Operations Budget Balance Reductions	1,654	872	955	1,000
Debt Service/Other Revisions	331	296	205	214
Resource Changes:	5,031	517	(19)	2
Federal Medicaid Share Increase (eFMAP)	2,984	0	0	0
Prior Year Balances	553	550	0	0
Fund Eligible Expenses from CRF	869	0	0	0
Refunded Prior-Year COVID-19 Expenses	132	0	0	0
Other Resources	493	(33)	(19)	2
New Costs:	(1,056)	(1,064)	(396)	(332)
Health Care: Enrollment Increases/Other	(985)	(785)	(100)	(36)
Ongoing COVID-19 Expenses	0	(200)	(200)	(200)
Delayed Prison Downsizing	(41)	0	0	0
DMV Operation Costs	(30)	(67)	(83)	(83)
Other Costs	0	(12)	(13)	(13)
MID-YEAR UPDATE SURPLUS/(GAP)	0	(8,725)	(9,743)	(9,419)

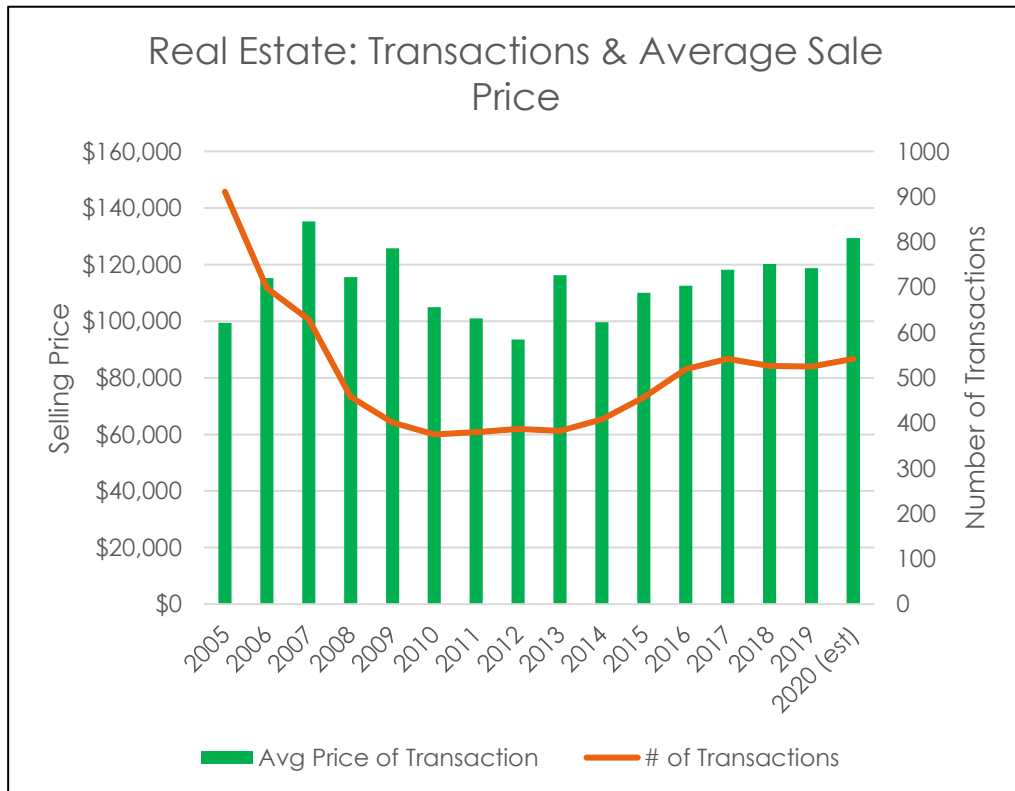
- ▶ NYS economy, mostly due to the shutdowns in the NYC area, is likely to take years to recover
- ▶ NYS Funding Plan proposes \$8 billion in “Aid to Localities” reductions for the next 3 fiscal years.
- ▶ Even with those cuts, NYS DOB is projecting deficits for the next 3 fiscal years.
- ▶ How the state addresses this budget gap could put counties at risk of losing funding
- ▶ Loss of funding means:
 - ▶ More local dollars will be needed to fund state mandated programs
 - ▶ Local priorities may be crowded out or taxes may need to increase to address the loss of state aid

Mitigating Economic Risk for Sustainable County Government

Long-Term Fiscal Sustainability: We Have Time, but the Risks are Real

- ▶ Currently, Schoharie County's cash reserves are strong, giving us time to address our fiscal challenges.
- ▶ 2021 budget process was designed to mitigate our exposure to the economic cycle and state aid reductions in case those become unfavorable to us.
- ▶ Long-term, these risks will need to be addressed for county government to be financially sustainable without putting too much upward pressure on the property tax levy.

2021 Adopted Budget: Beginning to Mitigate County Fiscal Risks to the Economy



The Board took several steps to begin addressing the financial risks we face:

- ▶ No property tax levy increase
- ▶ No county employee layoffs
- ▶ Continued support for tourism
- ▶ Support policies that make Schoharie a relocation destination
- ▶ Unfunded 31 positions that may never come back

2021 Budget Supports the Local Economy, but Only Short-Term



- ▶ No property tax levy increase in 2021, although some towns did see their tax rates go up.
- ▶ Since 2017 the Board has focused on keeping the levy as low as possible. Actual levy to trend shows that the Board has saved residents about \$2 million in property taxes. **But services were cut to realize those savings.**
- ▶ The current cost of government, the make-up of our local economy, & the economic difficulties faced by NYS will put **upward pressure on local funding sources** in our future budgets to pay for mandated services.

The Path To Achieve Long-Term Financial Sustainability

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The 2021 Budget Did Cut Services in significant ways. We owe it to our employees and residents to take this opportunity to be better by:

- ▶ Reorganizing county government with a focus on service delivery and positive outcomes
- ▶ Measuring outcomes to make government more accountable
- ▶ Utilizing Capital Planning for Better Asset Management
- ▶ Leverage Technology for Greater Efficiency
- ▶ Utilize Planned Attrition Rather Than Layoffs to Realize Efficiency Savings

ANY
QUESTIONS
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