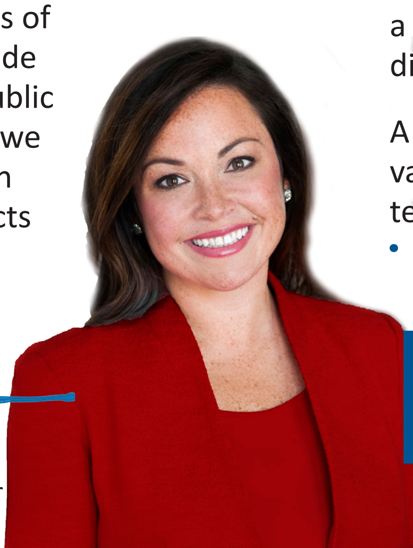
Allegheny County Controller Chelsa Wagner's

TAXPAYER ALERT

COVID-19 Financial Impact

October 2020

As it has for families, businesses, and communities across our region and nation, the COVID-19 pandemic has brought with it a challenge to County government finances not seen since at least the 2008 recession. Due in large part to the rebuilding of a robust general fund balance over the past decade, Allegheny County's finances have fared much better than many other local governments, and overall the County budget is still close to breaking even this year. However, we know that continuing revenue impacts over the coming months and years will determine in part the level of services and supports we can provide to weather the economic downturn and public health challenges of the pandemic. As the County's independent fiscal advocate, it is my commitment to use the professional resources of my office to continue to provide both policymakers and the public with a clear picture of where we stand, as I am pleased to do in this report on the fiscal impacts to date.



Chelsa Wagner
Allegheny County Controller

Revenue

The County had expected to bring in $946 million in 2020, but as of June 30, total revenue was down 7.9% ($50.5 million) compared to the same time last year. While property taxes, the County's largest revenue source, can be expected to approach forecasted collections in the near term, other sources remain deeply uncertain going forward:

Real Estate Property Taxes: Property tax revenue only declined by about 1% compared to the first half of 2019; but because this tax is such a large share of the budget, that was still a $3.3 million drop, in a year when the County had expected it to increase by $6 million. However, some of the decline may be due to a lag in collections, since the penalty for late payment didn't take effect until July 1 this year.

A longer-term concern could be appeals to tax valuations of commercial properties which have lost tenants and earning potential during the pandemic.

Continued on page 2.

Help is available

In Allegheny County, renters and landlords may be eligible for rental assistance and limited utility assistance. The deadline for applications is through October 31, 2020. For more information or to apply, visit **COVIDRentRelief.AlleghenyCounty.us**. Questions can be directed to AHICaresRRP@actionhousing.org or 412-248-0021.

If you are experiencing food insecurity, call 2-1-1 (http://pa211sw.org) or contact the Greater Pittsburgh Community Food Bank (Pittsburghfoodbank.org) for help finding food options that best match your needs.

If you are experiencing domestic violence, you can contact the National Domestic Violence Hotline anytime at 1-800-799-SAFE (7233). You can log onto thehotline.org or text LOVEIS to 22522 if you're unable to speak safely. For information about finding safe shelter, or to be referred to a shelter, call the Allegheny Link at 1-866-730-2368.

Allegheny Co. Health Dept. has partnered with United Way 211 to offer a 24/7 hotline for those experiencing COVID symptoms or in need of health information. Call 888-856-2774 to speak with a representative.

Revenue (continued)

Sales & Use Taxes: Receipts on the County's share of the additional 1 percent sales tax in Allegheny County declined about 5%, or $1.3 million, compared to 2019. Most of the drop came in March and April--sales tax revenue was down $2.6 million those months, which more than wiped out increases during January and February. However, as shutdown orders were loosened and more businesses reopened, this revenue began to rebound. For the month of June, sales tax collections were $328,000 higher than in 2019.

Drink & Rental Car Taxes: Some of the largest declines in revenue were from these two taxes, which are exclusively used to fund public transit; in the first half of 2020, drink tax revenue was down over 50% ($11.3 million) compared to 2019, and rental car revenue was down 43% ($1.6 million). Broken down monthly, the picture for the drink tax looks even worse: April saw the largest decline, down 75% ($3 million); and by June it was only slightly better, down 70% ($2.5 million) for the month compared to last June. Continued restrictions on bars and restaurants and a potential resurgence of COVID in the winter months makes the outlook on these sources largely unpredictable.

2% Gaming Local Share Tax: The County's share of gaming receipts was down 53.2%, or $1.5 million in the first half of 2020. However, gaming revenue may increase in the second half of the year; despite occupancy limits, casinos across the state reported a 6% year over year increase in revenue for August.

Hotel Rental Tax: Receipts on this tax, which pays debt on construction of the David L. Lawrence Convention Center and supports tourism promotion, was down 48%, or about $8 million, in the first half of 2020. While the general fund's share in this decline is only $300,000, $4 million has been paid from the Hotel Tax fund balance reserve in order to meet debt service payments and operating deficits at the Sports and Exhibition Authority. In recent months, hotel occupancy has risen somewhat; however much of this increase was due to rentals for COVID quarantines by the Department of Human Services and housing for college students. Hotel Tax is not applied to these long-term hotel stays.

Other Sources: Revenue from fines and forfeitures was down due to County courts being closed for more than two months--this revenue is now being collected again. Revenue from interest earnings was down as well due to lower rates. Also, there was a significant decline in royalties collected from gas drilling at Deer Lakes Park.

REVENUE Year to Date Changes from 2019 to 2020 (as of June 30, in millions of dollars)	
Real estate taxes	-$3.3
Sales tax	-$1.3
Car rental tax	-$1.6
Drink tax	-$11.3
Gaming	-$1.5
Fines & forfeitures	-$1.0
Interest earnings	-$1.5
Deer Lakes drilling royalties	-$1.0
Kane charges for services	-$15.0
Rev/Exp moved to Grant Fund	-$11.0
Other	-$2.0
Total	**-$50.5**

Expenditures

The decline in revenue in the first half of 2020 was largely offset by a 9%, or $41.9 million, drop in expenditures. These were the main reasons for that decline:

Debt Service: The County did a major bond refund over the summer to take advantage of lower interest rates. This is expected to save $11 million this year.

Port Authority: With the drink and rental car taxes generating so little money, the County did not send the Port Authority $21.8 million budgeted for the required local match for state funding. Instead, the County plans to give PAT $23 million in CARES Act money, which the Port Authority can only use on COVID-19 related expenses. However, the Port Authority was also awarded $141.7 million in CARES Act funding directly, which can be used to make up the other lost revenue from the County and from decreased ridership. State revenue impacts and uncertain funding mechanisms going forward are likely to be major concerns for public transit in the near future.

Human Services: Spending decreased by 10.7%, or $11.8 million to date. This was simply due to incentive grant funding received for Children, Youth and Families services shifting both the revenue and the related expenditures to the County's Grant Fund.

Jail: The Allegheny County Jail released hundreds of non-violent and at-risk offenders due to coronavirus concerns. Currently there are about 450 fewer inmates in the jail and 240 fewer participants in alternative housing, which has saved the County $4 million so far.

Kane: Tragically, the County's Kane Community Centers have experienced 30 resident deaths to date from COVID-19, all in the Glen Hazel and Scott locations. Given the high risk present in these and other institutional settings, many residents were removed to live with family or receive treatment elsewhere. This resulted in a $1 million decline in the cost of operating the Kane facilities.

Other Savings: Fewer polling locations during the primary election saved the County $500,000; another $500,000 was saved on constable costs while the courts were shut down. Pharmaceutical rebates received from UPMC and Highmark have increased by $1 million.

EXPENDITURES
Year to Date Changes from 2019 to 2020
(as of June 30, in millions of dollars)

Primary Election	-$0.5
Election postage/printing (later paid for by CARES Act)	$1.0
Facilities	$1.3
Pharmaceutical rebates	-$1.0
Court closures	-$0.5
Kane	-$1.0
Jail	-$4.0
Reduction in debt service on RAAC bonds	-$1.0
Port Authority local match	-$21.8
Rev/Exp moved to Grant Fund	-$11.0
Other	-$3.3
Total	**-$41.8**

CARES Act - Coronavirus Relief Fund

There were, of course, also a significant number of new expenditures due to COVID-19: the Health Department's response to the crisis, increased hygiene and sanitation costs in County Departments, and increased IT costs were among the biggest expenses. However, the County can cover many of these expenses with federal CARES Act money and other grants.

Allegheny County received $212 million from the federal CARES Act's Coronavirus Relief Fund (CRF). Currently, the County can only spend this money on coronavirus-related expenditures that are incurred by December 30; it cannot be used to replace shortfalls in revenue from taxes, fees, and other sources. (However, that might change if Congress passes another round of stimulus--both parties have proposed lifting restrictions on CRF money.)

The County's plan distributes the CRF money across six priority areas (all CRF spending figures are as of September 16):

Continued on page 4.

CARES Act (continued)

● **Vulnerable Populations:** $20.9 million spent to date. The County has given $13.5 million to Action Housing to administer the CARES Rent Relief program. Another $7.4 million has been spent through the Department of Human Services to fund outreach to Black and Latino community organizations, child care for essential workers, supplemental meals for school programs, and quarantine housing for homeless persons.

● **Medical-Related:** $7.1 million spent to date. The Health Department has spent $4.8 million: $3.8 million on test kits and the rest on COVID-related payroll and temporary employees. The Kane Community Living Centers have spent an additional $2.3 million, $1.4 million on COVID-related payroll and temporary employees.

● **County Operations:** $8.3 million has been spent on COVID-related expenditures that otherwise would have been absorbed into the operating budget.

●**Local Government:** So far, $8.5 million has been distributed across 76 municipalities in Allegheny County. The spending rules are the same as at the county level: municipalities can only spend this money on COVID-related expenses, they cannot use it to replace revenue shortfalls in their budgets due to the crisis. Allocation amounts are based on population, and range from $6.2 million for the City of Pittsburgh and $300,000 for Penn Hills to $20,000 for the smallest municipalities. In addition, volunteer fire departments across the County have received $25,000 each, totaling $3.7 million.

●**Agency Support:** The County has so far given $12 million of the $23 million budgeted for the Port Authority. The County also gave $678,000 to the Sports and Exhibition Authority for COVID-related expenditures.

●**Regional Assets:** $12 million has been given to the Allegheny Regional Asset District to fund economic support grants for eligible regional asset agencies with 500 or fewer employees. Grant size is based on the impact of COVID-19 on RAD funding they would have received from sales tax receipts.

Allegheny County's plan is similar to most other counties. Many counties are also using CARES Act money to provide support for small businesses and nonprofits affected by the crisis, which Allegheny County has not done so far; however, small businesses here have access to a grant program set up by the state. We know that there is still a need locally though, since the first round of state small business grants received many more applications than the state was able to fund.

A concerning omission from the County's CARES spending plan to date has been public input. While some comparable counties around the country have initiated public forums and accepted public comment on the most critical areas for spending, that has not occurred here. Ensuring that limited public dollars have the greatest impact where they are needed most will be essential moving forward.

Other grants

Besides the CRF, the CARES Act also provided Allegheny County with a $10 million Community Development Block Grant that can be used for recovery from the pandemic, an $8.2 million Emergency Solutions Grant to address and prevent homelessness as a result of the crisis, and $627,000 for election expenses arising due to COVID-19. The Kane Community Centers will receive $3.7 million in funding from the state for lost revenue, in addition to the CARES Act money they get through the County.

In addition to federal CARES Act money, the County is receiving $23.6 million from the Pennsylvania Housing Finance Agency for the rental assistance program, a $7.3 million grant through the Pennsylvania Emergency Management Agency, $732,000 from a federal Elections Security Grant distributed by the state, and $5 million in grant funding from local foundations.

SEE FRAUD, WASTE OR ABUSE? REPORT IT 412-350-4300

Forecast for the rest of 2020

Even though some revenue streams have started to rebound, total revenue for the general fund in 2020 will likely be around $20 million less than was budgeted. However, lower debt service payments from the bond refunding, pharmaceutical rebates, lower spending due to fewer inmates at the jail, and savings on poll workers and constables from the closures earlier in the year should close most of that gap.

In general, Allegheny County's finances have been more stable than those of many other governments during the COVID-19 crisis. Some counties that rely more heavily on revenue that tends to be volatile in economic downturns, like sales and income tax, have faced severe challenges. In a recent survey by the National Association of Counties, some counties reported deficits exceeding one-third of the county general fund. More than half of counties reported that they had already initiated depletion of reserve funds, and some large counties said that they had laid off or furloughed 20% or more of their employees at some point this year.

Next year and beyond

However, even though Allegheny County was better positioned to weather financial challenges this year, even more stable sources of revenue will be affected in 2021. Property tax revenue, which fell just slightly in 2020, could see a steeper drop in 2021, especially on the commercial side if businesses continue to struggle; Pennsylvania has already announced that it will likely have to cut funding to counties next year; and with fewer people traveling and bars and restaurants running at reduced occupancy, the drink and car rental taxes that fund public transit will continue to see large shortfalls.

@AlleghenyController

@AC_Controller

CHELSA WAGNER CONTROLLER

Get Updates From Our Office

Controller@AlleghenyCounty.us