



Essex County Office of the Manager

7551 Court Street - PO Box 217 - Elizabethtown, New York 12932
Telephone (518) 873-3333 - Fax (518) 873-3339

Michael Mascarenas, County Manager
michael.mascarenas@essexcountyny.gov

James Dougan, Deputy County Manager
james.dougan@essexcountyny.gov

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Essex County 2026 Budget Update:

To the Residents of Essex County,

This summary provides an update on the proposed 2026 County Budget, aiming to explain our financial path forward clearly. Our goal is to balance fiscal responsibility with maintaining the high-quality services you expect.

County Submission Process

The County Manager is required to submit the Tentative Budget by November 15th. Upon submission, the budget becomes the responsibility of the Board of Supervisors, who have three options:

1. **Adopt the Tentative Budget as Filed** – This was the process used last year.
2. **Amend the Tentative Budget** – The Board may propose and approve amendments.
3. **Take No Action** – In this case, the Tentative Budget automatically becomes the final budget by default. (This has never occurred.)

Final adoption of the budget must occur on or before December 20th

We began the 2026 budget process facing a **\$4.5 million funding gap** (the difference between what we spend and what we bring in).

After careful review and making targeted adjustments, we have successfully reduced this gap to **\$2.2 million**. This reduction was achieved even as new initiatives were added, such as the EMS Stabilization Program.

Major Changes Affecting Our Budget

The need to close the budget gap is driven by both increases and decreases in our costs, as well as changes in our revenue sources:

Cost Increases (New/Higher Expenses)

Several factors are increasing our required expenditures:

- Health and Pharmacy Costs: A combined increase of over \$2.3 million for health insurance and pharmacy expenses.
- State Retirement Costs: Up by nearly \$1.2 million.
- EMS Stabilization: An added cost of \$1,248,000 to support our emergency medical services.
- Building and Equipment: An increase of over \$613,000 for necessary infrastructure and equipment.
- DSS Day Care: Child Care Assistance Program (CCAP) Up by \$200,000.

Cost Decreases (Savings)

We achieved savings in other areas:

- Debt Service: A large decrease of nearly \$2.45 million (less cash needed to pay principal and interest on old county debts).
 - Position Elimination: Saving \$600,000 by eliminating 7 positions.
 - Benefit Level Adjustments: Saving over \$455,000 by adjusting budgeted benefit levels (e.g., from family plans to two-person plans).
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Revenue Increases (Higher Income)

We anticipate higher income from several key sources:

- State Aid: Expected to increase by over \$1.56 million.
 - Sales Tax: Expected to increase by \$1.25 million.
 - Property Tax Levy: The maximum allowed increase under the current tax cap is \$775,509.
 - Mortgage Tax and Prisoner Revenue: Combined increase of \$200,000.
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Use of Fund Balance

The County's most recent audit notes that the County remains in strong fiscal health, but expenditures are growing faster than revenues. We believe the strategy below reflects a careful balance between fiscal restraint, service preservation, and long-term stability.

To address the remaining \$2.2 million gap and maintain a responsible tax level, we are proposing to use \$2,210,637 of our County Fund Balance (reserve savings) to offset the property tax levy.

This approach is appropriate and fair to taxpayers because:

Vacancies: Current staff vacancies will naturally generate additional fund balance, meaning the proposed amount may not actually be drawn down.

Taxpayer Value: Using these funds—which represent unspent taxes from vacant positions—is a fair way to return that value to residents.

Avoiding Over-Taxation: Not utilizing this portion of the fund balance would effectively mean over-taxing our residents.

Tax Cap Note

For 2026, the State's tax cap limit is \$775,509, based on the 2025 levy of \$28,683,684. The manager notes that the levy represents only 20% of total revenues; the remaining 80% comes from sources like sales tax and state/federal aid. If the cap were based on total expenditures (\$131,817,715), the allowable increase would be \$2,636,354.

Conclusion

The County is confident that this strategy puts Essex County on a solid path toward a balanced and sustainable fiscal plan for 2026.