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NASSAU COUNTY LEGISLATURE
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Inter-Departmental Memo

To: Hon. Howard J. Kopel, Chairman of the Budget Review Committee
All Members of the Budget Review Committee

From: Maurice Chalmers, Director
Office of Legislative Budget Review

A handwritten signature in blue ink, appearing to be "MC", enclosed in a circular scribble.

Date: April 12, 2016

Re: FY 16 Year to Date Sales Tax

With the receipt of the April 12, 2016 sales tax check, the County has received the quarterly adjustment for the period of December 1, 2015 through February 29, 2016. Year-to-date sales tax collections total \$219.6 million. This is an increase of \$10.5 million, or 5.0%, over the receipts through the same period last year. The chart below details the year to date gross sales tax payments through April 12, 2016 compared to the same period last year.

2016 Year-to-Date Sales Tax Receipts
(figures in millions, includes residential energy collections)

	<u>2015</u>	<u>2016</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$209.0	\$219.6	\$10.5	5.0%

The proposed sales tax revenue in the FY 16 Executive Budget, excluding the deferred piece, is \$1,117.7 million. To reach budget, a growth of only 0.37% on all remaining checks is required. That rate of growth seems achievable given the County's current economic momentum and forecasts of annual real US gross domestic product (GDP). The robust sales tax growth is

especially significant since the County faces other budgeted revenue shortfalls such as Video Lottery Terminal (VLT) revenue.

A review of current local economic indicators reveals strong and diversified economic growth.

- New York State Department of Labor figures reveal that the Nassau County labor market recorded strong, positive growth from December 2015 through February 2016. In each month surveyed, Nassau County resident employment grew by 2.5% or more from an annual perspective.
- Siena Research Institute figures reveal that heightened resident employment coupled with an increase in disposable income due to lower gas price, resulted in a surge in regional consumer confidence. They found that consumer confidence in the metropolitan region was at its highest level in more than nine years because of declines in the cost of gasoline.¹
- The economic momentum provided residents the confidence necessary to take the plunge and buy houses as well as take out home equity loans out against their residences. Multiple Listing Service of Long Island figures reveal that from December 2015 to February 2016, the annual average growth experienced in Nassau County homes sales was 13%. That growth is especially significant since it occurred at a typically slow time of the year. From 2012 to 2014 the December to February time period represented 21.3% of annual sales.
- Additionally, Freddie Mac statistics show that throughout the metropolitan region in 2015, 31.0% of home refinances loans were for 5.0% more than the loan balance. Such cash out refinances provide residents with the equity necessary to make significant purchases. That was the highest percentage recorded since 2009 when 33% of regional refinance loans were for 5.0% more than the loan balance.

Looking forward, the economic momentum is expected to continue throughout 2016. The number of Nassau County home sale contracts signed in March 2016 was 29.0% higher than in the prior year. This implies continued strong home sale growth over the next six months.² Moreover, a survey of current 2016 economic forecasts reveals that throughout the US, economic growth is expected to average 2.3%. The chart below illustrates the forecast real US GDP 2016 growth rates.

Company	2016%
Federal Reserve Bank	2.6%
Mortgage Bankers Association	2.2%
Fannie Mae	2.0%
Average	2.3%

¹ Madore, James T., “Low Gas Prices Push Consumer Confidence to 9-Year High”, [Newsday.com](http://www.newsday.com), April 7, 2016.

² McDermott, Maura, “LI Home Sales Show Strong Gains in March”, [Newsday.com](http://www.newsday.com), April 8, 2016.

Thus, the County appears to be on track to not only reach the sales tax budget, but to experience a sales tax surplus. If remaining checks were to grow 2.0%, the County would experience a \$14.6 million surplus. The following chart depicts the resultant sales tax surpluses for various annual growth rates on the remaining checks.

Forecast Sales Tax Growth and Resultant Annual Impact	
Year To Date Growth	Sales Tax Surplus / (Deficit)
0.5%	\$1.1
1.0%	\$5.6
1.5%	\$10.1
2.0%	\$14.6
2.5%	\$19.0
3.0%	\$23.5

If you should have any further questions, please let me know.

cc: Eric Naughton, Deputy County Executive
 Roseann D'Alleva, Budget Director, OMB
 Evan Cohen, Executive Director, NIFA
 Dan McCloy, Director of Law, Finance & Operations
 William Biamonte, Minority Chief of Staff
 Peter Clines, Minority Counsel
 Michele Darcy, Minority Finance
 Gregory May, Director of Legislative Affairs
 Michael Pulitzer, Clerk of the Legislature