



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

Date: July 12, 2016

Re: FY 16 Year to Date Sales Tax

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With the receipt of the July 12, 2016 sales tax check, the County has received the quarterly adjustment through May 31, 2016. Year-to-date sales tax collections total \$496.6 million. This is an increase of \$8.1 million, or 1.7%, over the receipts through the same period last year. The chart below details the year to date gross sales tax payments through July 12, 2016 compared to the same period last year.

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

	2015	2016	Variance \$	Variance %
Gross YTD Sales Tax	\$488.5	\$496.6	\$8.1	1.7%

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 0.9% on all remaining checks is required. That rate of growth seems achievable given the County's current economic forecast of annual real US gross domestic product (GDP). A positive sales tax growth is critical to the County achieving budget in 2016.

A review of current local economic indicators reveals diversified economic growth indices.

- New York State Department of Labor figures reveal that the Nassau County labor market recorded strong, positive growth through May 2016. From both an annual and a monthly perspective, Nassau County has more employed residents and fewer unemployed residents; resulting in a lower unemployment rate.
- Siena Research Institute figures reveal that from an annual perspective regional consumer sentiment has risen 4.0%. The heightened consumer confidence has resulted in strengthened future consumer buying plans. According to Dr. Doug Lonnstrom, founding director of the Siena Research Institute, “Once again this quarter, consumer buying plans were up and for each of the five major purchases that continue to exceed their historic averages. At over 8 percent for homes and over 30 percent for furniture, we should expect those related markets to be active this summer and fall.”<sup>1</sup>
- Multiple Listing Service of Long Island figures reveal that through May 2016 the Nassau County housing market has been experiencing strong growth. On a year to date basis, the number of home sales has increased 14.6% while median closed prices have grown 4.6% on average. Additionally, the strong growth is expected to continue over the next six months as the number of pending sales has risen 16.6% year to date through May 2016.
- Historically low interest rates continue to induce consumer spending. As of July 6, 2016, interest rates on 30 year US home mortgages dropped to their lowest level seen in three year. Concurrently, refinance applications rose 21 percent, reaching the highest level seen since January 2015.<sup>2</sup> Cash out refinancings can provide consumers with the funds necessary to make large purchases while simultaneously yielding an increase in disposable income.

Looking forward, the economic trend is expected to continue throughout 2016. A survey of current 2016 economic forecasts reveals that throughout the US, economic growth is expected to average 1.8%. The chart below illustrates the forecast real US GDP 2016 growth rates.

<b>Current Forecasts of US 2016 Real GDP Growth</b>	
<b>Company</b>	<b>2016%</b>
Federal Reserve Bank	1.7%
Mortgage Bankers Association	1.9%
Fannie Mae	1.7%
Average	1.8%

Thus, the County appears to be on track to reach the sales tax budget. In their latest projection, the Administration is expecting to achieve a \$7.8 million surplus, but should remain cautiously

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<sup>1</sup> Lonnstrom, Doug, “Quarterly New York State Index of Consumer Sentiment including Gas and Food Analysis”, [Siena College Research Institute](#), July 6, 2016.

<sup>2</sup> “U.S. Mortgage Refinancings Surge as 30-Year Rate Lowest since May 2013: MBA”, [Reuters.com](#), July 6, 2016.

optimistic as the year progresses. If remaining checks were to grow by 2.0%, the County would experience a \$6.5 million surplus. The following chart depicts the resultant sales tax variances for various annual growth rates on the remaining checks.

<b>Forecast Sales Tax Growth and Resultant Annual Impact</b>	
<b>Year To Date Growth</b>	<b>Sales Tax Surplus / (Deficit)</b>
0.5%	(\$2.7)
1.0%	\$0.3
1.5%	\$3.4
2.0%	\$6.5
2.5%	\$9.6

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  
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