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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", written over a circular scribble.

Date: February 16, 2016

Re: FY 15 Year-End Sales Tax

Now that the final payment of FY 15 sales tax has been received, the County will end the year with total collections of \$1,103.8 million, which is an increase of 1.2%, from the FY 14 receipts. This translates into \$13.0 million more in sales tax in 2015 than in 2014.

2015 Year-to-Date Sales Tax Receipts

(figures in millions, include residential energy collections)

	<u>2014</u>	<u>2015</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$1,090.8	\$1,103.8	\$13.0	1.2%

From a budgetary perspective, the County ended the year with a \$39.5 million deficit. This represents an improvement from mid-year 2015 when the deficit was forecast to be up to \$44.0 million. Loss of revenue to internet sales and lower gas prices negatively impacted sales tax. However, the latter can't be looked at in isolation as an inverse relationship between gasoline prices and retail sector sales exists. Furthermore, the deficit reduction was accomplished with the aide of robust year-end economic activity in construction, housing, and automobile sales.

The proposed sales tax revenue in the FY 16 Executive Budget, excluding the deferred piece, is \$1,117.7 million. Thus, 1.26% growth would be required in 2016 from the 2015 year-end to reach budget. That rate of growth seems achievable if the County's current good fortune continues with key indices leading the charge. A review of January 2016 indicators reveals that the economy started the year off strong. The February 4, 2016 check included the EFT payment for purchases made from January 1 through January 22 which grew by 2.0%. Regionally, Long Island closed home sales increased 18.0% in January 2016 from an annual vantage point.¹ Nationally, in January 2016, payrolls grew by 151,000, the national unemployment rate dropped to 4.9%, and average hourly earnings rose 2.5% from an annual perspective.²

Moreover, Moody's is currently forecasting a 2.1% Nassau Gross County Product growth in 2016. Most local economists concur with Moody's and anticipate Long Island 2016 GCP to be in the 2.0% to 2.5% range. However, one independent economist, Thomas Conoscenti, is predicting Long Island GCP growth of only 1.0% for 2016 and 2017. He expects the County to dribble along with no big changes in economic activity.³

Lastly, the part-County sales tax is collected on hotel room occupancy and alcoholic beverages in Nassau County, outside of the city of Long Beach. It is intended to offset local municipal General Fund property taxes. By statute, the County can only recognize the budgeted amount of these collections in the year the purchases were made. Any collections above the budgeted amount are recognized two years later on the deferred sales tax line. Hence, the final year-end sales tax collection figure can't be determined until the December Part County Collection payment is received. In 2015, Part County Collections are estimated to exceed budget by approximately \$0.94 million and with the accounting adjustment will result in 2015 sales tax annual growth of 1.1%.

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
Concetta Petrucci, Director of Legislative Affairs
William Muller, Clerk of the Legislature

¹ Winzelberg, David, "LI Home Sales Rise in January", Long Island Business News, February 8, 2016.

² Schwartz, Nelson D., "Wages Rise as U.S. Unemployment Rate Falls Below 5.0%", The New York Times, February 5, 2016.

³ Madore, James T., "LI Economy will Grow Slower than Nation's this Year, Panel Says", Newsday.com, January 19, 2016.