



NASSAU COUNTY LEGISLATURE
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Inter-Departmental Memo

To: Hon. Vincent Muscarella, 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 "M. Chalmers", written over the name in the "From" field.

Date: January 12, 2018

Re: FY 17 Sales Tax and Year-End Growth Forecast

With the receipt of the January 12, 2018 sales tax check, the County has received all collections attributable to taxable sales made through November 30, 2017. Year-to-date sales tax collections total \$1,107.0 million. This is an increase of \$29.8 million, or 2.8%, over the receipts through the same period last year. The chart below details the year-to-date gross sales tax payments through January 12, 2018 compared to the same period last year.

2017 Year-to-Date Sales Tax Receipts
(figures in millions, includes residential energy collections)

	<u>2016</u>	<u>2017</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$1,077.2	\$1,107.0	\$29.8	2.8%

The County is on track to close FY 2017 with a sales tax surplus. The table on the next page depicts the resultant sales tax collections for various growth rates on the remaining checks:

Forecast Sales Tax Growth and Resultant Annual Impact	
Remaining Growth	Sales Tax Surplus / (Deficit)
0.0%	\$17.9
0.5%	\$18.1
1.0%	\$18.4
1.5%	\$18.6
2.0%	\$18.9
2.5%	\$19.2
3.0%	\$19.4

However, since the part-county sales tax portion is currently projected to exceed budget by roughly \$11.6 million, that amount would have to be subtracted from the above projected surpluses and deferred until FY 2019. For budgetary purposes, the County can't recognize a surplus in its part-county collections. The surplus funds must be deferred and would not be recognized until two years later. For example, if remaining checks were to grow by 2.0%, the County would experience an \$18.9 million surplus. It could not recognize \$11.6 million of the surplus in FY 2017, hence the FY 2017 budgetary sales tax surplus would be \$7.3 million. It would have been welcomed news if the County were able to recognize the surplus in its entirety.

Although the County will have to defer part of the FY 2017 surplus to FY 2019, the current trend puts the County in a more favorable position to achieve the FY 2018 budgeted sales tax number. The most recent Siena College Research Institute index of consumer sentiment found that throughout the metropolitan area, consumer confidence had reached a new 10 year high. They found that consumers were more willing to make big ticket purchases.¹ The heightened willingness for consumer spending was also supported by the Federal Reserve, who found that in November 2017 consumers ran up nearly \$28 billion in new debt. They attributed the increased debt to increasingly confident consumers who are willing to borrow more to fund their consumption. According to economists, consumer spending accounts for 70.0% of the economy.²

If you should have any further questions, please contact my office.

cc: Mark Page, Deputy County Executive for Finance
 Andrew Persich, Budget Director, OMB
 Evan Cohen, Executive Director, NIFA
 Dan McCloy, Director of Law, Finance & Operations
 Chris Ostuni, Majority Counsel
 Peter Clines, Minority Counsel
 Michele Darcy, Minority Finance Director
 Michael Pulitzer, Clerk of the Legislature

¹ Madore, James T., "Metro Area Consumer Confidence Hits 10-Year High", [Newsday.com](http://www.newsday.com), January 4, 2018.

² The Associated Press, "Americans Borrowed more in November Amid Solid Holiday Sales", [LIBN.com](http://www.libn.com), January 8, 2018.