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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 "MC", enclosed in a blue circular scribble.

Date: April 12, 2019

Re: FY 19 Year to Date Sales Tax

With the receipt of the April 12, 2019 sales tax check, the County has received the quarterly adjustment for the period of December 1, 2018 through February 28, 2019. Year-to-date sales tax collections total \$234.7 million. This is an increase of \$4.8 million, or 2.1%, over the receipts through the same period last year. The chart below details the year to date gross sales tax payments through April 12, 2019 compared to the same period last year.

2019 Year-to-Date Sales Tax Receipts (figures in millions)

	<u>2018</u>	<u>2019</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$229.8	\$234.7	\$4.8	2.1%

The total sales tax revenue in the FY 19 NIFA Conformed Budget, excluding the deferred piece, is \$1,231.3 million. Assuming the part-county sales tax collections equal budget, a growth rate of 2.6% on all remaining checks is required to reach the total sales tax budget. Positive sales tax growth is supported by forecasts of annual, national real US Gross Domestic Product (GDP).

A survey of current 2019 economic forecasts reveals that throughout the US, economic growth is expected to average 2.2%. The chart below illustrates the forecast for real US GDP growth rates.

US GDP 2019 and 2020 Forecasts, as of 1st Quarter 2019		
	2019	2020
Fannie Mae	2.2%	1.6%
Mortgage Bankers Assn.	2.0%	1.4%
Federal Reserve Bank	2.4%	2.0%
Average	2.2%	1.7%

The positive, national forecast growth may not be sufficient to enable sales tax collections to achieve budget. Moreover, the positive economic momentum seen locally also may not be robust enough for County sales tax collections to reach the budgeted amount.

On the local level:

- February 2019 New York State Department of Labor figures show that from an annual perspective, the number of employed residents in Nassau County has grown 1.85%.
- As of February 2019, there was an increase of 0.7% in private sector jobs on Long Island according New York State Department of Labor figures.¹
- U.S. Bureau of Labor Statistics figures reveal that metropolitan consumer prices rose 1.6% from an annual vantage point in March 2019. Medical care, automobile insurance, alcohol and utility prices were seen as primary drivers of the increase.²
- Consumer confidence throughout the New York Metropolitan area increased 7.8% from the March 2018.³

The Office of Legislative Budget Review had previously mentioned that a significant portion of the FY 19 budget revenue growth is attributable to sales tax growth. It should be noted that the recently passed New York State budget included legislation required for the County to start internet sales tax collections.⁴ These additional revenues could compensate for the sluggish economic growth. Absent of the new revenue injection, the FY 19 Budget warrants close monitoring and a possible decrease in the projected amounts.

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

¹ Winzelberg, David, "Long Island Added 9,400 Private Sector Jobs in the Last Year", [LIBN.com](#), March 21, 2019.

² Madore, James T., "Consumer Price Index Rises in Metro Area in March Over Year Earlier", [Newsday.com](#), April 10, 2019.

³ "Summary Index of Consumer Sentiment New York State", [Siena College Research Institute](#), March 2019.

⁴ Lombardo, David, "Budget Includes New Internet Sales Tax Revenue for Counties", [Timesunion.com](#), March 31, 2019.

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