

MAURICE CHALMERS
DIRECTOR
OFFICE OF LEGISLATIVE
BUDGET REVIEW



NASSAU COUNTY LEGISLATURE
1550 FRANKLIN AVENUE, ROOM 126
MINEOLA, NEW YORK 11501
(516) 571-6292

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

Date: July 12, 2019

Re: FY 19 Year to Date Sales Tax

With the receipt of the July 12, 2019 sales tax check, the County has received the quarterly adjustment through May 31, 2019. Year to date sales tax collections total \$541.2 million. This is an increase of \$9.3 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, 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	\$532.0	\$541.2	\$9.3	1.7%

The total sales tax revenue in the FY 19 Adopted Budget, excluding the deferred piece, is \$1,231.3 million. Assuming the part-county sales tax collections equal budget, remaining checks need to grow by 3.1% for the sales tax budget to be achieved. However, current economic forecasts anticipate U.S economic growth at 2.2% which is short of the percentage needed to achieve budget.

The following chart provides an itemization of current national 2019 economic forecasts. Throughout the US, economic growth is expected to average 2.2% in 2019 and 1.5% in 2020.

US GDP 2019 and 2020 Forecasts, as of Q2 or June 2019		
	2019	2020
Fannie Mae	2.1%	1.5%
Mortgage Bankers Assn.	2.0%	1.1%
Federal Reserve Bank	2.6%	2.0%
Average	2.2%	1.5%

A review of current local economic indicators was mixed with a major concern on the local housing market.

- June 2019 Multiple Listing Service of Long Island figures show that on a year-to-date basis, Nassau County home sales are down 2.3%. It should be noted the month of June recorded the largest annual decline, -14.1%, and the current sales tax collections do not yet reflect June 2019 revenues.
- The number of New York area construction starts rose 22.0% in May 2019 from the prior year.¹
- Siena College Research Institute figures reveal that consumer confidence in the metropolitan area is essentially unchanged from the prior year.²
- New York State Department of Labor figures show that the Nassau County labor force grew 1.5% from the prior year. Of the new entrants, 63.6% were able to find employment and the number of employed residents grew by 0.5% from a yearly perspective.

The following chart depicts the resultant sales tax variances for various annual growth rates on the remaining checks, assuming the part-county collections equal budget.

Forecast Sales Tax Growth and Resultant Annual Impact	
Remaining Growth	Sales Tax Surplus / (Deficit)
0.0%	(\$20.6)
1.0%	(\$13.9)
1.5%	(\$10.5)
2.0%	(\$7.2)
2.5%	(\$3.9)
3.0%	(\$0.5)

¹ Winzelberg, David, "Construction Starts Rise in May", LIBN.com, June 27, 2019.

² Madore, James T., "Metro Area Consumer Confidence Numbers Mostly the Same as Last Year", Newsday.com, July 3, 2019.

Assuming the remaining checks were to grow by a 2.2% scenario, the County would experience a \$5.9 million deficit. The Administration has begun to recognize that risk by including a projected deficit of \$3.7 million in their latest projections. That number will more than likely be adjusted to reflect the actual collections going forward.

The FY 19 budget was heavily leveraged on achieving additional sales tax revenue and it is very important that the County continue to monitor sales tax collections and the impact on the FY 19 results. Internet sales tax collections may experience an uptick through the end of the year, but the true impact on the County is not yet known.

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

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