

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. Howard J. Kopel, Chairman
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", next to the name Maurice Chalmers.

Date: December 14, 2012

Re: FY 12 Sales Tax

Year-to-date sales tax collections total \$906.0 million. This is an increase of \$41.6 million, or 4.8%, over the receipts through the same period last year.

Sales Tax Receipts

(Payments Through December 12, 2012 in millions)

	<u>2011</u>	<u>2012</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$864.3	\$906.0	\$41.6	4.8%

The current sales tax check is 3.7% greater than last year's check for the same time period. Based on the year to date collections, if the remaining sales tax checks were flat, the Office of Management and Budget (OMB) would still achieve their 2012 projection. The current collections represent payments for sales which occurred October 1, 2012 through October 31, 2012. The FY 13 budget of \$1.116 billion (excluding the deferred sales tax) is based on a projected growth rate of 4.5% from the 2012 projection.

The check due to be received on December 28 will include 75% of the quarterly adjustment for the period September 1 through November 30. The remainder of that quarter's adjustment will be received in January.

Hurricane Irene Case Study

In understanding the possible impact of Superstorm Sandy on Nassau County sales tax collections, OLBR is providing historical data relating to the impact of Hurricane Irene on Nassau County sales tax collections.

Since both hurricanes hit the same region, similar trends may be anticipated. However, given that Superstorm Sandy caused a greater amount of damage, the results may have to be adjusted to account for the higher degree of destruction.

To complete the case study, Nassau County sales tax collections by liability period were obtained from the New York State Department of Taxation and Finance. Viewing the collections by liability period allocates the collections to the month in which the sales occurred. This allows changes in consumer purchasing behavior to be discerned.

Tables 1 and 2 detail the percentage of 2011 annual collections by month. To detect any changes in consumer purchasing behavior, the 2011 results were compared to the ten year, five year, and three year average spending trends. In the far right columns, the variance between the 2011 actual and the historical ten year average or five year average is depicted.

Table 1

Monthly Sales Tax Collections by Liability Period			
	2011	10 Yr. Avg.	Variance
January	8.07%	8.28%	-0.21%
February	6.65%	6.71%	-0.06%
March	9.21%	9.30%	-0.08%
April	7.66%	7.44%	0.21%
May	7.34%	7.45%	-0.11%
June	9.43%	9.90%	-0.47%
July	7.75%	7.93%	-0.18%
August	7.56%	7.69%	-0.13%
September	9.98%	10.03%	-0.04%
October	7.57%	7.52%	0.05%
November	7.52%	7.52%	0.00%
December	11.25%	10.25%	1.01%

Source: NYS Department of Taxation and Finance

Hurricane Irene hit on August 28, 2011. Nassau County August 2011 sales tax collections were down 0.13% from the ten year average. Collections remained down relative to the ten year average for the following month and then rebounded from October through December of 2011. Summing up, the two month loss yields a reduction of 0.17% which equated to approximately \$1.8 million. The subsequent rebound more than offset the loss. Collections from October 2011 to December 2011 were 1.06% greater than the ten year average. In total from when the storm hit through the end of December the County experienced a net 0.89% gain, which equates to approximately \$9.2 million.

Table 2 reveals that similar results were obtained when a five year average was utilized. That is, in the month when the storm hit, collections fell. However, from a five year perspective, collections rebounded in the month following the storm. Similarly, the rebound was sizeable enough to completely offset the initial loss. In total, from when the storm hit through the end of

December, from a five year vantage point, the County experienced growth of 0.90%, which equates to approximately \$9.3 million.

Table 2

Monthly Sales Tax Collections by Liability Period			
	2011	5 Yr. Avg.	Variance
January	8.07%	8.28%	-0.21%
February	6.65%	6.92%	-0.27%
March	9.21%	9.08%	0.13%
April	7.66%	7.51%	0.15%
May	7.34%	7.51%	-0.17%
June	9.43%	9.92%	-0.49%
July	7.75%	7.79%	-0.04%
August	7.56%	7.78%	-0.22%
September	9.98%	9.92%	0.06%
October	7.57%	7.44%	0.13%
November	7.52%	7.50%	0.02%
December	11.25%	10.34%	0.92%

Source: NYS Department of Taxation and Finance

Lastly, in comparing the 2011 results to the three year average similar trends were evident. Collections were down from the three year average in the month when the storm hit as well as the following September. Collections then rebounded from October through December. However, when viewed from a three year perspective, the magnitude of the rebound was smaller than that seen from both a five and ten year vantage point.

It then appears that the storm had a positive impact on Nassau County sales tax collections. In the months preceding the storm, January through July, monthly collections were down 0.13% on average from both a five year and a ten year perspective. From a three year perspective, in the months preceding the storm, January through July, monthly collections were down 0.07% on average. Conversely, in the timeframe after the storm, September through December, monthly collections were up 0.26% on average from a ten year perspective, 0.28% on average from a five year perspective, and 0.15% on average from a three year perspective.

Several caveats should be mentioned.

There is no guarantee that history will repeat itself. Many factors impact Nassau County’s sales tax collections. These include, interest rates, the number of unemployed individuals, regional consumer prices, tax rates, etc. The data details the recorded trends and does not prove causality.

Additionally, Superstorm Sandy was more destructive than Hurricane Irene. According to Federal Emergency Management Agency, (FEMA) statistics 43,780 claims were paid for Hurricane Irene. Currently, 71,000 claims have been filed in Nassau for FEMA payments

attributable to Superstorm Sandy.¹ Moreover, using New Jersey paid insurance claims data, it appears that Superstorm Sandy was four times more destructive than Hurricane Irene. According to New Jersey Manufacturers Insurance Company, \$75 million was paid out after Hurricane Irene. The Company expects to pay out \$300 million for Superstorm Sandy.² No similar data for Nassau County is currently available.

Because many of those impacted were without insurance, individuals and businesses may not have the funds to rebuild. Therefore, the recovery may be muted. The storm surge associated with Superstorm Sandy reached areas that were not considered high flood risk and were not required to have flood insurance.

The remaining checks will be critical as they will be indicative of the actual impact Superstorm Sandy had on Nassau County sales tax collections. OLBR will continue to monitor sales tax as more data becomes available and will provide updates to the percent growth. If you should have any further questions, please let me know.

cc: Hon. George Maragos, Nassau County Comptroller
Frank Moroney, Nassau County Chief Deputy Comptroller
Tim Sullivan, Deputy County Executive
Roseann D'Alleva, Acting Director, OMB
Evan Cohen, Executive Director, NIFA
David Gugerty, Minority Chief of Staff
Dan McCloy, Director of Law, Finance & Operations
Gregory May, Director of Legislative Affairs
William Muller, Clerk of the Legislature
Peter Clines, Minority Counsel
Aline Khatchadourian, Minority Finance Director

¹ The Associated Press, "2,000 Long Island Homes Uninhabitable After Sandy", Long Island Business News, December 11, 2012.

² Duffy, Erin, "New Jersey Manufacturers Insurance: Sandy Losses Set to Exceed \$300 Million", The Times of Trenton, December 5, 2012.