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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

Date: February 13, 2020

Re: FY 19 Year-End Sales Tax Collections

Now that the final payment of the FY 19 sales tax has been received, the County will end the year with total collections of \$1,244.1 million, which is an increase of 3.6%, from the FY 18 receipts. This translates into \$42.7 million more in sales tax in FY 19 than in FY 18.

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	\$1,201.5	\$1,244.1	\$42.7	3.6%

Relative to budget, the County ended FY 19 with an **\$12.8 million surplus**. However, it is estimated that the County will have to defer approximately \$1.9 million of the surplus to FY 21, which is the part-County portion above what was budgeted for FY 19. A final budgetary surplus of \$10.9 million would then be recognized as the FY 19 year-end result.

The proposed sales tax revenue in the FY 20 Executive Budget, excluding the deferred piece, is \$1,269.7 million. By ending FY 19 with a surplus, the County will be in a better position to achieve the FY 20 budget. Actual collections and recent indicators suggest that FY 20 spending started strong. The February 6, 2020 EFT increased 5.7% from the February 5, 2019 EFT. The EFT

portion represents the electronic collections on purchases made from January 1, 2020 through January 22, 2020. Taking into account the February 6, 2020 EFT reveals that approximately 1.9% growth would be required in the **remainder** of FY 20 to reach budget.

Current economic indicators and projections support continued positive economic growth throughout FY 20.

- Dodge Data & Analytics reported that NY area construction starts had increased 45.0% in December 2019 from the prior year.¹
- Nassau's pending home sales increased 15.2% in December 2019 from the prior year according to preliminary Multiple Listing Service of Long Island data.
- At the Federal Reserves most recent meeting, they stated that downside risks to the U.S. economy have lessened and they did not signal any imminent changes to its benchmark interest rate.²
- The 2020 Long Island Economic Survey & Opinion Poll found that nearly seven in ten respondents said their companies experienced some revenue growth in 2019, while 64.0% projected some increase in revenue for 2020.³

The current strong economic momentum is expected to remain positive throughout 2020. A survey of current forecasts for U.S. real Gross Domestic Product (GDP) found that experts anticipate an average of 1.7% in FY 20 and 1.9% in FY 21.

Based on economic indicators and additional internet sales tax collections, the 1.9% growth required to reach the FY 20 sales tax budget seems more than achievable. However, since the proposed FY 20 budget relies heavily on sales tax growth, this revenue continues to be an area which must be closely monitored and may warrant changes should economic conditions change.

If you should have any further questions, please do not hesitate to contact the Office.

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

¹ Winzelberg, David, "New York-Area Construction Starts Finish Strong in 2019", LIBN.com, February 4, 2020.

² The Associated Press, "Fed Signals Steady Interest Rates as Economic Risks Lessen", LIBN.com, February 7, 2020.

³ Starzee, Bernadette, "AVZ Summit: Economy Remains Strong Despite Turmoil", LIBN.com, January 14, 2020.