

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 of the Budget Review Committee
All Members of the Budget Review Committee

From: Helen M. Carlson, Deputy Director *HC*
Office of Legislative Budget Review

Date: April 12, 2017

Re: FY 17 Year to Date Sales Tax

With the receipt of the April 12, 2017 sales tax check, the County has received the quarterly adjustment for the period of December 1, 2016 through February 28, 2017. Year-to-date sales tax collections total \$221.6 million. This is an increase of \$2.1 million, or 0.9%, over the receipts through the same period last year. The chart below details the year to date gross sales tax payments through April 12, 2017 compared to the same period last year.

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

	2016	2017	Variance \$	Variance %
Gross YTD Sales Tax	\$219.6	\$221.6	\$2.1	0.9%

The total sales tax revenue in the FY 17 Adopted Budget, excluding the deferred piece, is \$1,141.5 million. Assuming the part-county sales tax collections equal budget, a growth rate of 1.1% on all remaining checks is required to reach the total sales tax budget. Positive sales tax growth is supported by regional economic momentum and forecasts of annual real US Gross Domestic Product (GDP).

Below is a review of current economic indicators and national economic forecasts.

- New York State Department of Labor figures reveal that in February 2017 the number of private sector jobs on Long Island grew by 27,100 or 2.5% from the prior year. That rate of growth was higher than that recorded for New York State and the United States.¹
- Siena Research Institute figures reveal that in the first quarter 2017, regional consumer confidence increased 3.2% from the prior quarter and 1.9% from the prior year. According to Dr. Lonnstrom, Siena College Research Institute’s founding director, “Consumer sentiment in New York hit a high-water mark not seen since November 2000”. The increased confidence correlated with a 5.2% quarterly and a 13.8% annual increase in New York State consumer buying plans.²
- U.S. Bureau of Labor Statistics figures reveal that as of February 2017 regional consumer prices had increased 2.6% from the prior year. This represented that highest inflation rate seen since March 2012. Energy, health care and residential rents were identified as the forces contributing to the price inflation.³ Since sales tax collections are a function of price and quantity, the price increase should result in higher sales tax collections.

Two trends may constrain the overall positive regional economic growth; they are rising interest rates and increasing retirements. In March 2017, pending Nassau County home sales were down 1.6% from the prior year⁴; the decline may be attributed to rising interest rates. Secondly, the February 2017, 14,000 drop in the number of employed residents on Long Island was attributed to retirees leaving the workforce, as the labor force shrank.⁵

Looking forward, the positive economic momentum is forecast to override the constraints and the nation is expected to record positive annual economic growth in 2017. A survey of current 2017 economic forecasts reveals that throughout the US, economic growth is expected to average 2.1%. The chart below illustrates the forecast for real US GDP growth rates.

US GDP 2017 and 2018 Forecasts, as of 1st Quarter 2017		
	2017	2018
Fannie Mae	2.0%	1.9%
Mortgage Bankers Assn.	2.1%	1.9%
Federal Reserve Bank	2.3%	2.4%
Average	2.1%	2.1%

¹ Solnik, Claude, “LI Outpaces State, Nation, Adding Jobs”, [LIBN.com](#), March 23, 2017.

² “Quarterly New York State Index of Consumer Sentiment including Gas and Food Analysis”, [Siena College Research Institute](#), April 5, 2017.

³ Madore, James T., “Metro Area Prices up 2.6 Percent; Biggest Increase in Nearly 5 Years”, [Newsday.com](#), March 15, 2017.

⁴ Winzelberg, David, “Home Sales Down in Nassau, Up in Suffolk”, [LIBN.com](#), April 7, 2017.

⁵ Mason-Draffen, Carrie, “Long Island Jobless Rate Inches Up for the First Time Since October”, [Newsday.com](#), March 28, 2017.

The following chart depicts the resultant sales tax surpluses / (deficit) for the various annual growth rates on the remaining checks.

Forecast Sales Tax Growth and Resultant Annual Impact	
Remaining Growth	Sales Tax Surplus / (Deficit)
0.0%	(\$9.9)
0.5%	(\$5.3)
1.0%	(\$0.8)
1.5%	\$3.8
2.0%	\$8.3
2.5%	\$12.9
3.0%	\$17.4

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

cc: Eric Naughton, Deputy County Executive
 Roseann D'Alleva, 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
 Francis Becker, Director of Legislative Affairs
 Michael Pulitzer, Clerk of the Legislature