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Inter-Departmental Memo

To: Hon. Howard J. Kopel, Chairman of the Budget Review Committee
All Members of the Budget Review Committee

From: Maurice Chalmers, Director
Office of Legislative Budget Review

Date: January 12, 2016

Re: Year-to-date Sales Tax Collections

With the receipt of the January 12th sales tax distribution check, the County has received all collections on purchases made through November 2015. On a year-to-date basis, receipts compared to the same time period in 2014 have increased by \$14.3 million or 1.4%.

The chart below details gross year to date sales tax collections for 2015 compared to 2014.

2015 Year-to-Date Sales Tax Receipts
(Payments received through January 12, 2016, figures in millions)

	<u>2014</u>	<u>2015</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$1,038.6	\$1,052.9	\$14.3	1.4%

The January 12, 2015 sales tax check is up 16.0% from last year's check for the same time period. This check includes the quarterly adjustment for the months of September through November. Previous checks were based on estimates as the State projects the County's collection for the time period based on prior year performance. However, this payment is based on actual collections and adjusted for any over or under payment from the previous distributions in the quarter.

In the Office of Management and Budget's (OMB) November 2015 forecast, published December 21, 2015, the 2015 year end sales tax deficit was projected to be \$42.0 million.

However, it appears that the projected sales tax deficit has shrunk which translates into an improved fiscal position by roughly \$4.3 million applying a 1.0% growth rate on the remaining two checks.

Looking forward, continued growth seems achievable given recent positive economic news. In December 2015, the United States added 292,000 jobs. Moreover, estimated job growth for October and November 2015 was revised upwards by 50,000.¹ Contributing to the job growth was a 42.0% annual increase in construction starts in the New York area.² The robust job growth resulted in an increase in consumer confidence which caused consumers and businesses to increase their spending and borrow funds. The Conference Board’s December 2015 consumer confidence index rose 3.9 points to 96.5.³ Confident consumers increased their borrowing \$14.0 billion in November 2015 according to the Federal Reserve.⁴ The consumer borrowing increase yielded an overall 7.9% increase in holiday season sales compared to the prior year according to MasterCard Spending Pulse.⁵ Lastly, picking up on the heightened consumer demand, businesses have also increased their borrowing. The Long Island Development Corporation’s small business lending was up nearly 40.0% year to date as of December. Moreover, Bank of America’s small business loans for companies with \$5.0 million in revenues, were up 18.0% year to date nationwide.⁶

The following chart details the annual sales tax deficit assuming different growth rates for the two remaining checks.

Forecast Sales Tax Growth and Resultant Annual Impact	
Year To Date Growth	Sales Tax Deficit
0.5%	(\$38.0)
1.0%	(\$37.7)
1.5%	(\$37.4)
2.0%	(\$37.2)
2.5%	(\$36.9)

Although the County is expected to end with a deficit compared to the budget, the heightened growth has allowed the County to make headways in reducing what was projected to be a higher deficit; which is good news. It should be mentioned that continued sales tax growth in 2015, would make the reduced 2016 sales tax budget more achievable, as less growth is required.

¹ The Associated Press, “U.S. Added 292,000 Jobs in December 2015, Jobless Rate Hits 5 Percent”, [Newsday.com](#), January 8, 2016.

² Winzelberg, David, “NY-Area Construction Starts Up 42 Percent in 2015”, [Long Island Business News](#), January 4, 2015.

³ The Associated Press, “Healthy Job Market Lifts US Consumer Confidence in December”, [Long Island Business News](#), December 29, 2015.

⁴ The Associated Press, “US Consumer Borrowing Increases \$14.0 Billion in November”,

⁵ The Associated Press, “Holiday Spending Up 8 Percent; Online Sales Surge”, [Long Island Business News](#), December 28, 2015.

⁶ Solnik, Claude, “Borrowing is Back as Economy Rebounds”, [Long Island Business News](#), December 29, 2015.

If you should have any further questions, please contact my Office.

cc: Eric Naughton, Deputy County Executive
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