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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: February 13, 2015

Re: FY 14 Year-End Sales Tax

Now that the final payment of FY 14 sales tax has been received, the County will end the year with total collections of \$1,090.8 million, which is a decline of 4.2%, from the FY 13 receipts. This translates into \$47.3 million less in sales tax in 2014 than in 2013.

Year End 2014 Sales Tax Receipts

(figures in millions)

	<u>2013</u>	<u>2014</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$1,138.2	\$1,090.8	(\$47.3)	-4.2%

From a budgetary basis, the County ended the year with a \$70.7 million deficit (when compared to the 2014 budget of \$1,161.5 million). In the past, adjustments for the final monthly part-County sales tax collections which has not yet been received for 2014, have resulted in adjustments to the final number. However, an accounting adjustment is not currently anticipated since the part-County collections are projected to be less than the 2014 budget. The part-County sales tax is collected on hotel room occupancy and alcoholic beverages in Nassau County, outside of the city of Long Beach. It is intended to offset local municipal General Fund property taxes.

The chart below shows gross annual collections (in millions) for fiscal years 2012 through 2014 and the sales tax budget for 2015.

Fiscal Year	Gross Sales Tax Revenues	Annual Growth
2012	1,070.4	4.2%
2013	1,138.2	6.3%
2014	1,090.8	-4.2%
2015 Budget	1,143.3	4.8%*

*Growth needed to make FY 15 budget

The proposed sales tax revenue in the FY 15 Executive Budget, excluding the deferred piece, is \$1,143.3 million. The FY 15 sales tax budget was based off a 3.0% growth over FY 14, with the expectation that 2014 would result in a deficit of approximately \$51.5 million. However, with the final year-end FY 2014 deficit figure of \$70.7 million, a higher growth rate of 4.8% will now be required to achieve the FY 2015 Adopted sales tax budget. The challenge moving forward, will be overcoming the now confirmed deficit in the sales tax base used to calculate the FY 15 budget. The County could face a shortfall of \$19.7 million in FY 15 if sales tax grows by 3.0% as budgeted. However, it would be premature to make any 2015 projections at this time. Currently, Moody's is forecasting 4.1% retail sales and 5.2% personal income annual growth for Nassau County in 2015. The Office of Legislative Budget Review is also releasing our preliminary economic report in conjunction with the sales tax memo. In addition, OLBK will be providing periodical updates as 2015 sales tax information becomes available.

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

- cc: Hon. George Maragos, Nassau County Comptroller
Eric Naughton, Deputy County Executive
Roseann D'Alleva, Budget Director, OMB
Evan Cohen, Executive Director, NIFA
William Biamonte, Minority Chief of Staff
Michele Darcy, Minority Finance
Dan McCloy, Director of Law, Finance & Operations
Concetta Petrucci, Director of Legislative Affairs
William Muller, Clerk of the Legislature