



NASSAU COUNTY LEGISLATURE
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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

A handwritten signature in blue ink, appearing to be "M. Chalmers", written over a circular stamp or mark.

Date: April 12, 2018

Re: FY 18 Year to Date Sales Tax

With the receipt of the April 12, 2018 sales tax check, the County has received the quarterly adjustment for the period of December 1, 2017 through February 28, 2018. Year-to-date sales tax collections total \$229.8 million. This is an increase of \$8.2 million, or 3.7%, over the receipts through the same period last year. The chart below details the year to date gross sales tax payments through April 12, 2018 compared to the same period last year.

2018 Year-to-Date Sales Tax Receipts
(figures in millions, includes residential energy collections)

	<u>2017</u>	<u>2018</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$221.6	\$229.8	\$8.2	3.7%

The total sales tax revenue in the FY 18 NIFA Conformed Budget, excluding the deferred piece, is \$1,183.3 million. Assuming the part-county sales tax collections equal budget, a growth rate of 1.3% on all remaining checks is required to reach the total sales tax budget. Positive sales tax growth is supported by forecasts of annual, national real US Gross Domestic Product (GDP).

A survey of current 2018 economic forecasts reveals that throughout the US, economic growth is expected to average 2.7%. The chart below illustrates the forecast for real US GDP growth rates.

US GDP 2018 and 2019 Forecasts, as of 1st Quarter 2018		
	2018	2019
Fannie Mae	2.8%	2.5%
Mortgage Bankers Assn.	2.4%	2.3%
Federal Reserve Bank	2.8%	2.5%
Average	2.7%	2.4%

The Administration is currently projecting a net \$8.0 million sales tax surplus in 2018. To achieve that amount, growth on all remaining checks would need to be between 2.8% and 2.9%. The County would have a roughly \$15.0 million sales tax surplus. However, it would have to defer approximately \$7.0 million to 2020, deferring the part-County portion above what was budgeted for 2018; a final budgetary surplus of \$8.0 million would then be recognized as the year-end result.

The \$8.0 million 2018 net sales tax projection may be considered ambitious when compared to both the current national economic growth forecasts and recent economic developments which may put downward pressure on consumer spending.

- In March 2018, the Federal Reserve raised its key short-term rate a quarter point to 1.75% from 1.5%. They announced that they expect to increase rates two more times in 2018.¹
- Siena Research Institute figures reveal that consumer confidence in the metropolitan area fell in the first quarter of 2018 compared to the fourth quarter of 2017. The decline was attributed to recent trade disputes and volatility on Wall Street.²
- U.S. Bureau of Labor Statistics figures reveal that metropolitan consumer prices rose 1.7% compared to the prior year. High housing and utility prices were seen as primary drivers of the increase.³
- An abnormally high amount of snow, higher mortgage interest rates and low inventory levels are viewed as slowing down home sales. Multiple listing service of Long Island figures showed a 7.2% decline in pending Long Island homes sales for the first 26 days of March 2018 as compared to a year ago.⁴

¹ The Associated Press, “Fed Raises Interest Rates One-Quarter Point”, [LIBN.com](#), March 21, 2018.

² Madore, James T., “Metro Area Consumer Confidence Slips on Trade Worries, Stock Market Volatility”, [Newsday.com](#), April 11, 2018.

³ Madore, James T., “Metro Area Prices Rise 1.7%, as Costs for Housing and Gasoline Increase, Index Shows”, [Newsday.com](#), April 11, 2018.

⁴ Winzelberg, David, “Bad Weather, Lack of Inventory, Rising Rates Slow Home Sales”. [LIBN.com](#), March 29, 2018.

The Office of Legislative Budget Review remains cautiously optimistic that the County will meet the current budget but may have limited its ability to meet future challenges by projecting a net \$8.0 million sales tax surplus in its revised amendments.

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

cc: Mark Page, Deputy County Executive for Finance
Andrew Persich, 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
Michael Pulitzer, Clerk of the Legislature