



COVID-19 Financial Impact Analysis and Sales Tax Revenue

The Office of the Nassau County Comptroller released an analysis of the potential financial impact that COVID-19 may have on the County's sales tax revenues.

The analysis models Nassau County's sales tax collections and breaks down industry sub-sectors to present a range of scenarios as to how this pandemic may impact the County's primary revenue source. The modeling tool breaks down the facets of sales tax using the North American Industry Classification System (NAICS) into sectors and sub-sectors and delineates which have been deemed essential or non-essential. It further allows for assumptions to be set on the expected level of business activity of a phased reopening scenario. With the current phased reopening, projections indicate a potential sales tax drop to range from 12% to 28%; projections also indicate that a hypothetical second wave may result in a billion dollar loss in sales tax revenues over a two-year period. The modeling tool was developed in collaboration with the expertise of an outside accounting/consulting firm.

Sales Tax Revenue Analysis Current Phased Re-opening

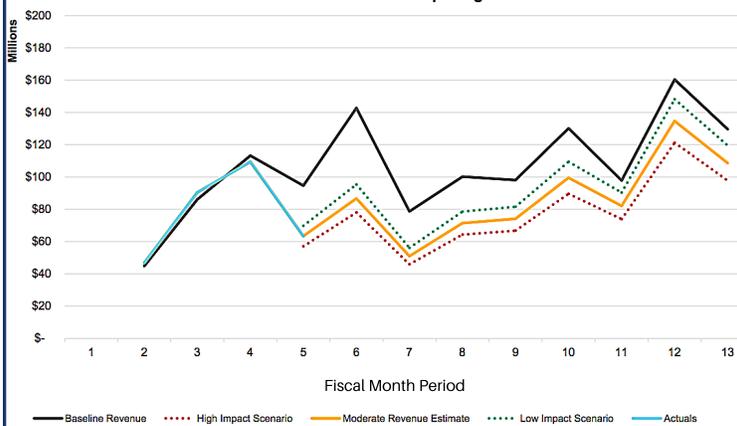
▶ The Current Phased Re-opening scenario assumes a gradual re-opening / return to pre COVID-19.

Fiscal Year	Baseline Revenue	Estimated Revenue - High Impact	Estimated Revenue - Moderate Impact	Estimated Revenue - Low Impact
2020	\$ 1,276,672,363	\$ 916,608,567	\$ 1,018,453,963	\$ 1,120,299,360
2021	\$ 1,330,134,850	\$ 921,813,857	\$ 1,024,237,619	\$ 1,126,661,381
2022	\$ 1,393,335,249	\$ 966,494,253	\$ 1,073,882,503	\$ 1,181,270,753

▶ Under this scenario, **sales tax revenues may experience a decline between \$156.4 - \$360.1 million in 2020. This would be a decline of 12.25% - 28.20%** of planned 2020 sales tax revenue as illustrated by the grey baseline and yellow estimated lines on the graph below.

Based on the analysis, the potential impact to sales tax revenues in 2020 projects a decline of 12.25% - 28.20% from the baseline.

Sales Tax Revenue Analysis (2020)
Current Phased Re-Opening



Impact Estimate	Difference from Baseline	Percent Change from Baseline
High Impact	\$ (360,063,796)	-28.20%
Moderate Impact	\$ (258,218,400)	-20.23%
Low Impact	\$ (156,373,003)	-12.25%

The chart to the left illustrates the baseline / budgeted sales tax revenue by fiscal month period in the grey line, with the actuals for fiscal month periods 1-5 and moderate estimates for fiscal month periods 6-13 in the yellow line. Dotted lines represent the low and high impact range modifiers.



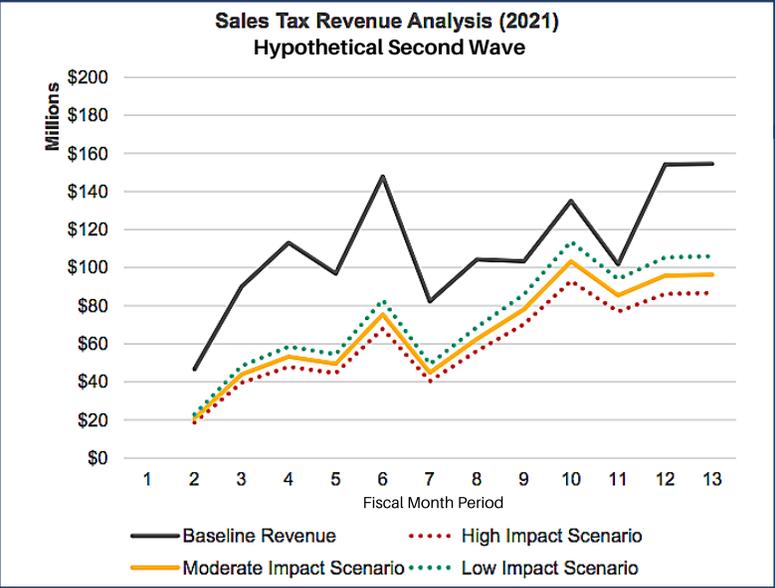
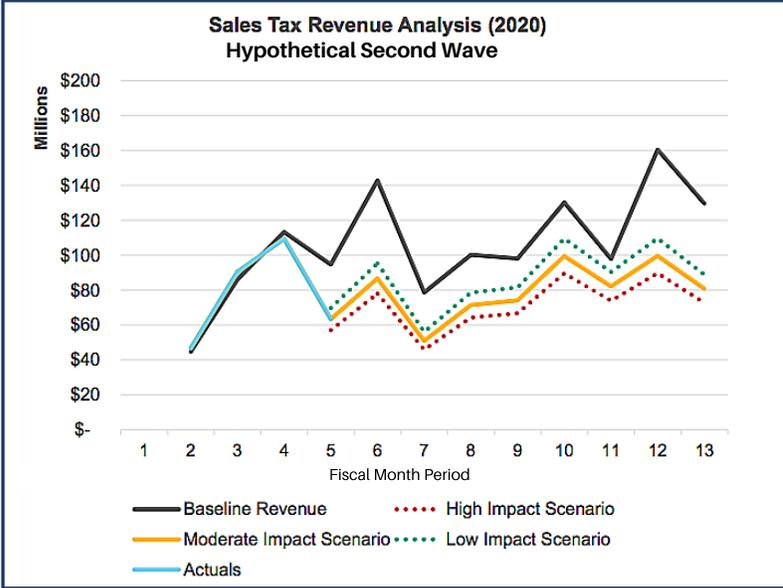
Potential Impact of a Hypothetical Second Wave in the Fall

Sales Tax Revenue Analysis Hypothetical Second Wave

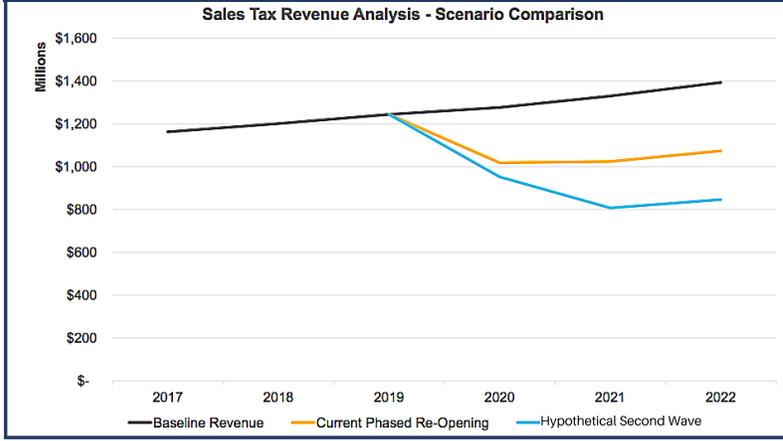
► Assumes a hypothetical second stay-at-home order beginning in the 4th quarter of 2020 with a gradual re-opening thereafter.

The analysis below illustrates the projected 2020 sales tax revenue budget as the baseline with future years assuming an average growth rate based on the historical 3-year trend. The estimated revenue of high, medium and low impacts illustrate the results of the analysis, all trending lower than the baseline. Based on the analysis, the potential impact to projected sales tax revenues indicate a decrease of 17.7%-32.6% in 2020 and 33%-45.2% in forecasted 2021 from the baseline.

Projected Base Line		Projected Sales Tax Revenue 2020			Projected Sales Tax Revenue 2021		
Fiscal Year	Baseline Revenue	Impact Estimate	Difference from Baseline	Percent Change from Baseline	Impact Estimate	Difference from Baseline	Percent Change from Baseline
2020	\$ 1,276,672,363	High Impact	\$ (416,672,715)	-32.64%	High Impact	\$ (601,681,136)	-45.23%
2021	\$ 1,330,134,850	Moderate Impact	\$ (321,117,198)	-25.15%	Moderate Impact	\$ (520,741,835)	-39.15%
2022	\$ 1,393,335,249	Low Impact	\$ (225,561,682)	-17.67%	Low Impact	\$ (439,802,533)	-33.06%



Sales Tax Revenue Analysis Comparison



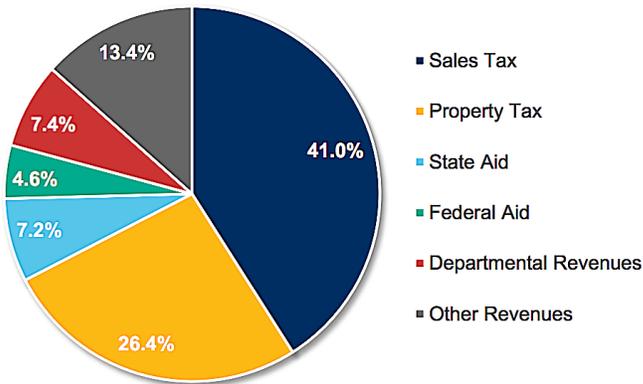
The chart to the left illustrates the moderate impact estimates for both scenarios. Current Phased Re-opening is represented by the yellow line and the Hypothetical Second Wave is represented by the aqua line.



Overview of the County's Sales Tax Revenue

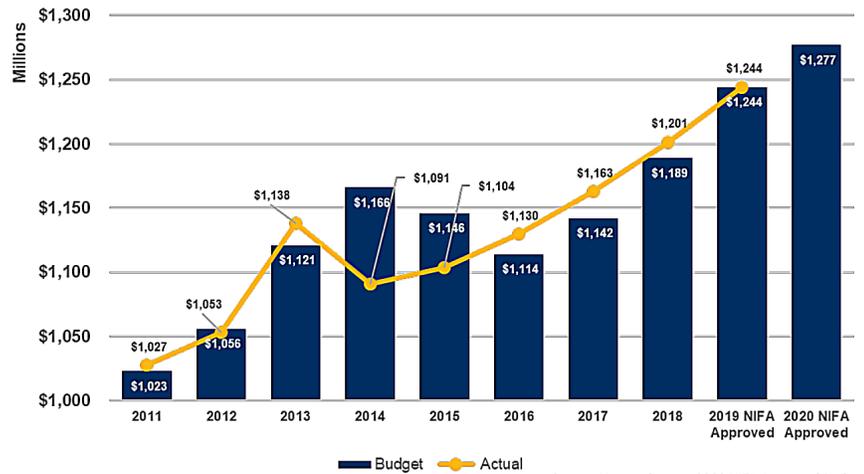
- ▶ Sales tax is the largest source of revenue for Nassau County, historically around 40%.
- ▶ The 2020 NIFA approved budget includes \$1.277 billion for sales tax revenues.
- ▶ Total taxable sales and purchases range between \$25 - \$28 billion annually for Nassau County, over the last 4 sales tax years.

Revenue of Major Operating Funds - 2020 Budget



Note: Excludes interdepartmental transfers and Sewer & Storm Water Resources District

Sales Tax Revenue Budget v. Actual (2011 - 2020)

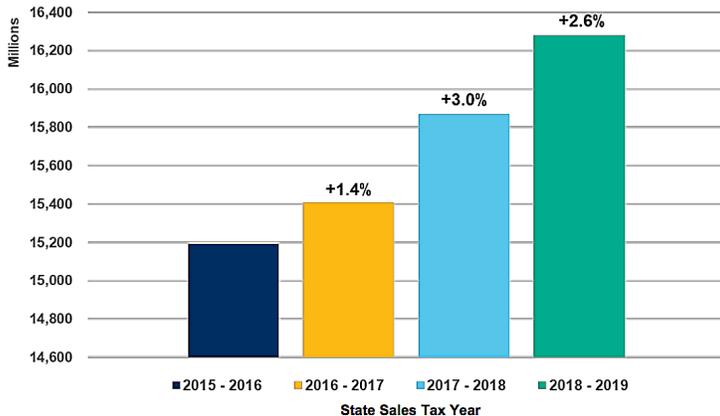


Source: Nassau County, 2020 NIFA Approved Budget

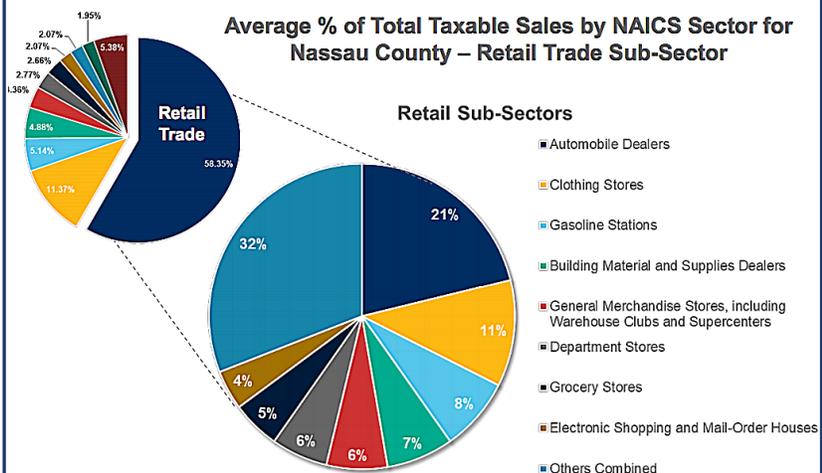
Overview of the County's Sales Tax Revenue: Retail Trade (58.35% of Total Sales Tax Revenues)

- ▶ **Retail Trade** represents the largest source of Nassau County's taxable sales and purchases at **nearly 60% annually**. There are **27 Retail Trade sub-sectors**. Prior to COVID-19, the County's sales tax revenues attributed to the Retail Trade industry showed growth year over year as illustrated in the chart to the left below.

Annual Taxable Sales Activity by Sales Tax Year - Retail



Average % of Total Taxable Sales by NAICS Sector for Nassau County - Retail Trade Sub-Sector



Source: <https://data.ny.gov/>

NAICS: North American Industry Classification System