



NASSAU COUNTY LEGISLATURE
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Inter-Departmental Memo

To: Hon. Vincent Muscarella, Chairman of the Budget Review Committee
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director
Office of Legislative Budget Review

A handwritten signature in blue ink, appearing to be "M. Chalmers", written over the "From:" line.

Date: February 17, 2021

Re: FY 20 Year-End Sales Tax Collections

With the receipt of the February 12, 2021 sales tax check, the County has received all sales tax collections for purchases made in the calendar year 2020. Annual sales tax collections total \$1,181.6 million. This is a decrease of \$62.5 million, or -5.0%, over the receipts through the same period last year and a more positive result from the -20.0% low anticipated by the Administration. The chart below details the gross sales tax payments attributed to purchases made through December 31, 2020 compared to the same period last year.

2020 Year-to-Date Sales Tax Receipts (figures in millions)

	<u>2019</u>	<u>2020</u>	<u>Variance \$</u>	<u>Variance %</u>
Gross YTD Sales Tax	\$1,244.1	\$1,181.6	(\$62.5)	-5.0%

The total sales tax revenue in the FY 20 NIFA Approved Budget, excluding the deferred piece, is \$1,269.7 million. Thus, FY 20 sales tax collections fell short of the budgeted amount by \$88.0 million. It should be noted, some of the County's sales tax collections will have to be withheld to cover the County's mandated AIM and distressed hospital fund payments, both of which are estimated to reduce the County collections by approximately \$17.5 million.

Economic momentum in the County has been on an upward trend since the re-opening process and this has been a positive development for County sales tax collections. The FY 21 Budget contains \$1,022.0 million in budgeted sales tax collections which is \$159.7 million less than the year-end FY 20 actual collections. From a budgetary perspective, the County will have a major revenue opportunity in sales tax compared to the budget. This is illustrated below:

Year End	Budget	2020 YE vs.
2020	2021	2021 Budget
1,181.6	1,022.0	(159.7)

To date, the County has received one sales tax check that will impact FY 21 sales tax collections. That was the electronic funds transfer (EFT) portion of the February 4, 2021 check. That piece was down 3.1% from the same piece last year. It should be mentioned that, it is likely that the first quarter sales tax results will exhibit negative growth as a post COVID-19 period is being compared to a pre-FY 20 COVID-19 period. In contrast, the subsequent quarters will be compared to a very low base, when most businesses were closed, and are expected to register strong growth.

Professional economic forecasters anticipate positive economic growth both locally and nationally. The chart below reveals that average annual economic growth in 2021 is expected to be roughly 4.5%.

Current Real US GDP 2021 Forecasts, January / February 2021			
	2021	2022	2023
Fannie Mae	5.3%	3.6%	
Mortgage Banker's Association	3.7%	2.7%	1.7%
Conference Board	4.4%		
Moody's, GCP	4.6%	5.9%	3.8%
Average	4.5%	4.1%	2.7%

There are still risks that the County may need to overcome, the biggest one being another shutdown/slow recovery. However, both the regional and national economies are moving in positive directions. Although the first quarter of FY 21 is expected to experience a negative growth in sales tax, the growth in the ensuing three quarters is expected to be positive with an overall pick-up from the FY 20. The economic momentum is expected to continue throughout FY 21 and FY 22. Given that the COVID-19 vaccine has already started to be distributed, OLBR is cautiously optimistic that the current positive economic trend will continue throughout FY 21.

If you should have any further questions, please don't hesitate to contact the Office.

- cc: Raymond Orlando, Deputy County Executive for Finance
 Andrew Persich, Budget Director, OMB
 Evan Cohen, Executive Director, NIFA
 Robert Conroy, Budget Research Analyst
 Chris Ostuni, Majority Counsel
 Peter Clines, Minority Counsel
 Michele Darcy, Minority Finance Director
 Michael Pulitzer, Clerk of the Legislature