



NASSAU COUNTY LEGISLATURE  
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### Inter-Departmental Memo

To: Hon. Thomas McKevitt, 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", is written over the "From:" line.

Date: February 20, 2024

Re: FY 23 Year-End Sales Tax Collections

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With the receipt of the final sales tax check, on February 12, 2024, the County has received all sales tax collections for the calendar year 2023. FY 23 sales tax collections totaled \$1,563.4 million and were \$28.0 million, or **1.8%** higher than FY 22 sales tax collections. The following chart illustrates the gross sales tax receipts for the period ending December 31, 2023, as compared to the same period in 2022 (year-over-year).

<b>2023 Year-End Sales Tax Receipts</b>				
(figures in millions)				
	<b>2022</b>	<b>2023</b>	<b>Variance \$</b>	<b>Variance %</b>
Gross YTD Sales Tax	\$1,535.4	\$1,563.4	\$28.0	1.8%

The year-over-year growth, as mentioned above, was 1.8%. This total represents gross receipts which is more indicative of economic growth and is prior to deductions. However, the County in drafting their FY 23 budget was conservative in estimating a growth rate and gross collections have resulted in a FY 23 surplus compared to budget of \$57.4 million.

Due to sales tax growth, Part "B" collections, which are sales tax revenues outside of Long Beach for hotel room occupancy and alcoholic beverages, is projected to exceed the budget by

approximately \$10.4 million, which the County will not be allowed to recognize until FY 25. This will reduce the \$57.4 million budgetary surplus that is recognized to approximately \$47.0 million.

Part B collections are the portion of sales tax revenue that the three towns and the City of Glen Cove are entitled to and is budgeted and recorded separately from other sales tax revenue and is referred to as Preempted Sales Tax in Lieu of Property taxes. Variances of actual sales tax received as compared to the annual adopted budget must be credited or collected in an ensuing year. Due to the timing of the adoption of the operating budget and the completion of the Annual Comprehensive Financial Report (ACFR), any recognition of a variance to budget for Part County Sales Tax is delayed for two years.

The growth of sales tax receipts post-pandemic has been resilient and has offered fiscal flexibility to the County; but economic trends indicate that this revenue source will be less abundant this year. Looking forward, the **FY 24** Budget contains \$1,577.9 million in budgeted sales tax collections, which is only \$14.5 million more than the total FY 23 collections.

<b>Year End 2023</b>	<b>Budget 2024</b>	<b>2023 YE vs. 2024 Budget</b>
\$1,563.4	\$1,577.9	(\$14.5)
Figures in millions		

Although the required growth and amount to realize the FY 24 budget appears small, the County has received one sales tax advice specifically related to FY 24 sales tax collections as of the date of this memo, and it fell compared to the same period last year. That was the Electronic Funds Transfer (EFT) portion of the February 6, 2024, check which declined 0.4% year-over-year and represents the electronically filed sales tax payments for purchases made through January 22, 2024.

Economic forecasters are predicting modest GDP growth in FY 24. The following chart illustrates that the average national economic growth in FY 24 is anticipated to be 1.2%. Locally, economic growth is expected to be **2.1%**. Both growth rates would meet and surpass the required growth needed to make the budget.

<b>Current Real US GDP 2024 - 2026 Forecasts</b>			
	<b>2024</b>	<b>2025</b>	<b>2026</b>
Fannie Mae	1.1%	1.6%	N/A
Mortgage Bankers Association	0.5%	1.6%	1.7%
Federal Reserve Bank - Phil.	1.7%	1.8%	2.1%
The Conference Board	1.2%	1.4%	1.6%
Wells Fargo	1.7%	1.7%	N/A
<b>Average US GDP Forecast</b>	<b>1.2%</b>	<b>1.6%</b>	<b>1.8%</b>
<b>Moody's GCP Forecast</b>	<b>2.1%</b>	<b>1.8%</b>	<b>2.1%</b>

The following table illustrates Moody's entire economic forecast for Nassau County as of January 2024.

<b>2024 to 2028 Nassau County Economic Forecast</b>					
<b>Projected Annual Growth Rates*</b>					
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
GCP	2.1%	1.8%	2.1%	2.1%	2.1%
Personal Income	3.7%	3.2%	3.1%	3.1%	3.2%
Median Household Income	2.9%	2.7%	3.1%	3.2%	3.2%
Disposable Personal Income	2.6%	2.5%	2.6%	2.8%	2.8%
Employed	0.6%	-0.3%	-0.2%	0.0%	0.0%
Unemployed	19.0%	2.8%	-1.0%	-0.5%	0.1%
Unemployment %	3.4%	3.5%	3.4%	3.4%	3.4%
Non Farm Jobs	0.6%	0.5%	0.1%	-0.1%	-0.1%
New Mortgages	15.1%	16.6%	10.6%	8.7%	5.9%
Mrt Refinances	-42.7%	38.7%	60.8%	60.2%	39.9%
Median Home Sale Price	4.0%	1.4%	2.2%	3.9%	5.3%
Retail Sales	1.6%	2.0%	2.1%	2.0%	2.2%
Regional CPI	3.0%	3.1%	2.9%	2.9%	2.9%
*Unemployment % Details Annual Average					

Moody's is forecasting positive local economic growth for Nassau County from FY 24-FY 28. This growth has moderated from previous years. According to the NYS Department of Labor, as of December 2023, the Nassau-Suffolk region had an unemployment rate of 3.6%.<sup>1</sup> Moody's is forecasting a small increase in the national unemployment rate to 3.4% in FY 24.

Nassau County sales tax receipts have been strong, surpassing economic forecasts. However, this continued level of growth may be nearing its end. Growth of approximately 1.0% is required for Sales tax receipts to meet the FY 24 budget. Retail sales, which are a strong indicator of sales tax growth, fell 0.8% in January, which was worse than the estimated 0.3% decline.<sup>2</sup> FY 24 sales tax receipts remain highly uncertain and eight of the last 12 sales tax checks recorded negative growth rates when compared to the same check from the prior year. Sales tax receipts will need to be closely monitored, as any variation from expectations, although unlikely, could result in a deficit.

As the Federal Reserve has tightened monetary policy by raising the Federal funds rate to combat inflation there have been concerns that this policy shift could cause a recession. These concerns appear to be subsiding, and according to a recent article in the Associated Press "the Fed appears on the verge of achieving a rare "soft landing," in which it manages to conquer high inflation without causing a recession."<sup>3</sup> However, despite the decreasing likelihood of a recession, economic growth is forecasted by the Federal Reserve to be subdued in 2024 as real GDP is estimated to grow 1.4% compared to the average forecast of 1.2% growth.<sup>4</sup>

As policy makers consider decisions that may impact the County, OLBR has summarized on the next page a chart that breaks down County sales tax receipts by spending **category** for the first

1 New York State Department Of Labor, 01/23/2024 [data.ny.gov](https://data.ny.gov/).

2 Cox, Jeff, "Retail sales tumbled 0.8% in January, much more than expected" 02/15/2024 [CNBC.com](https://www.cnbc.com/).

3 [The Associated Press](https://www.theassociatedpress.com/), 1/31/2024 "Powell: Federal Reserve is on track to cut rates, though not likely for months."

4 "FOMC Summary of Economic projections" 12/13/2023 [fred.stlouisfed.org](https://fred.stlouisfed.org/)

three quarters of the last two fiscal years and is based on data provided by New York State. The data for the fourth quarter of FY 23 is not yet available.

<b>County Sales Tax Receipts excluding 4th Quarter (In thousands)</b>			
<b>Category</b>	<b>FY 22</b>	<b>FY 23</b>	<b>% Change</b>
Accommodation and Food Services	131,941	136,871	3.7%
Administrative and Support and Waste Management and Remediation Services	27,708	27,627	-0.3%
Agriculture, Forestry, Fishing and Hunting (not covered in economic census)	639	677	5.9%
Arts, Entertainment, and Recreation	14,256	14,339	0.6%
Construction	19,437	19,476	0.2%
Educational Services	508	546	7.6%
Finance and Insurance	11,180	8,662	-22.5%
Health Care and Social Assistance	1,532	1,392	-9.1%
Information	51,221	50,799	-0.8%
Management of Companies and Enterprises	471	475	1.0%
Manufacturing	31,831	32,057	0.7%
Mining, Quarrying, and Oil and Gas Extraction	125	131	4.5%
Other Services (except Public Administration)	36,670	37,651	2.7%
Professional, Scientific, and Technical Services	25,616	27,783	8.5%
Public Administration (not covered in economic census)	16,168	5,679	-64.9%
Real Estate and Rental and Leasing	26,434	25,381	-4.0%
Retail Trade	661,134	663,405	0.3%
Transportation and Warehousing	4,803	5,806	20.9%
Unclassified	5,976	28,688	380.0%
Utilities	24,886	21,512	-13.6%
Wholesale Trade	63,956	66,077	3.3%
<b>Grand Total</b>	<b>\$ 1,156,491</b>	<b>\$ 1,175,034</b>	<b>1.6%</b>

### **Conclusion**

FY 23 Sales tax receipts grew by 1.8% from the prior year. The FY 24 Sales tax receipts are unlikely to result in the large surpluses seen in the last few years and any cushion provided to the budget could be small. However, since minimal growth of less than 1.0% is required to meet the budget, the FY 24 budget is within range of economic forecasts. Our Office will continue to monitor sales tax receipts regularly and will keep the Legislature apprised of any material changes in expectations that could impact the FY 24 budget and possibly necessitate budgetary adjustments.

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

cc: Andrew Persich, Budget Director, OMB  
Evan Cohen, Executive Director, NIFA  
Chris Ostuni, Majority Counsel  
William T. Biamonte, Minority Chief of Staff  
Michele Darcy, Minority Finance Director  
Michael Pulitzer, Clerk of the Legislature  
James Darcy, Counsel to the Legislative Clerk