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Albany County Sales Tax Revenues Continue Decline – Third Quarter Receipts Produce Largest Year-to-Year Decrease in 15 Years

Key Points:

- **Third quarter decline nearly \$5.1 million (-13.6 percent) from 2008.**
- **First three quarters of 2009 down nearly \$9.5 million from 2008 (-8.75 percent).**
- **First time in 15 years that there have been four consecutive quarterly declines in receipts.**
- **2009 Budget shortfall from sales tax alone will be \$15.1 million if trend continues.**

Albany County ended the third quarter of 2009 with sales tax revenues of \$53,801,151. The County retains 60 percent of sales tax revenue and distributes the remaining 40 percent to cities and towns. Thus, for the third quarter the net amount available for County purposes was \$32,280,690 or \$5,082,104 *below* the amount received in the third quarter of 2008. This represents a *decrease* of 13.6 percent from the third quarter of 2008. Through the first three quarters of 2009, the County's share of sales tax revenues are *down* \$9,473,207 or a *decrease* of 8.75 percent from 2008.

Sales tax revenue is particularly important to Albany County, much more so than other counties. Thus, the fall off in sales taxes disproportionately affects its financial status. In 2007, Albany's sales tax receipts represented a higher ratio to property taxes than any other county. In 2007, sales taxes produced 43.3 percent of the County's total revenue compared to a statewide average of 32.9 percent. In only two counties did sales taxes represent a higher proportion of total revenue (Erie, 45.7 percent and Suffolk, 45.4 percent). Only Warren County received more sales tax revenue per resident (\$837) than did Albany (\$809) and this contrasted to the statewide average of \$621 per capita.

The County budgeted \$241,856,330 for sales tax revenue in 2009, of which the County would retain \$145,113,798. Were the remaining quarter of 2009 to produce the same proportionate *decline* in sales tax revenue as the first three, the total County share of sales tax revenue in 2009 would be approximately \$130.0 million, *less* than total receipts in any year since 2004. This would produce a *decrease* of \$12.5 million from 2008 and a budgeted sales tax *shortfall* in 2009 of \$15.1 million.

- Through three quarters, the County's total sales tax revenues are *down* 8.75 percent from 2008.
- The decreased amount of County share of sales tax revenue of \$5,082,104 was 13.6 percent *below* the third quarter of 2008 and even 6.8 percent *below* the third quarter of 2007. These figures also represented a *decline* of 2.6 percent from the second quarter of 2009.

- In six of the seven most recent calendar quarters, sales tax revenues declined from the prior quarter. The only exception was in the third quarter of 2008 (seen in Chart 1) and that may have been the result of the 2008 Federal tax stimulus. Given the time required for taxpayers to spend their Federal tax refunds and for sales tax revenues to be received by the State and distributed to counties, it is likely that third quarter increase was at least partially the result of that one-time Federal tax stimulus. That spike in 2008 may account, at least in part, for the comparatively dramatic drop in the most recent quarter.
- This is the first time since we began collecting these data in 1994 that sales tax revenues have declined from the prior quarter for four consecutive quarters and the decreases are, by far the *worst*. They are depicted graphically in Chart 2. In the prior fifteen years, no year-to-year decrease has exceeded 4.9 percent. But compared to the same quarters in the prior year, the four most recent quarters have *fallen* 7.48, 6.63, 5.74, and 13.6 percent respectively. In contrast, until the recent downturn, year-to-year growth over fifteen years averaged about three percent.
- Receipts in the third quarter were lower than any quarter since the first quarter of 2005.

Although there are some signs of economic improvement, unemployment, partial unemployment, flat or declining incomes, reduced debt increased spending on health care services which are not taxable, have all contributed to reduced personal consumption, i.e., fewer sales. Fewer sales and stagnant prices yield lower sales tax receipts. While the fourth quarter of 2009 will not likely show as large a decline as the third, overall we doubt that an economic turnaround, if any, will be near as fast or as large as the decline. As we have noted in our recent economic forecasts, to the degree that consumers were formerly spending at levels above their incomes and they have since reset their spending at levels low enough to break even, retire debt, and/or to save, consumption and sales tax revenues will also reset at lower levels for some time to come. There is no reason to expect robust growth in sales tax revenues in the near future.

Chart 1: Trend of Quarterly Sales Tax Revenue, Albany County, After Distribution of 40 Percent Municipal Share, 1993-2009, Q3

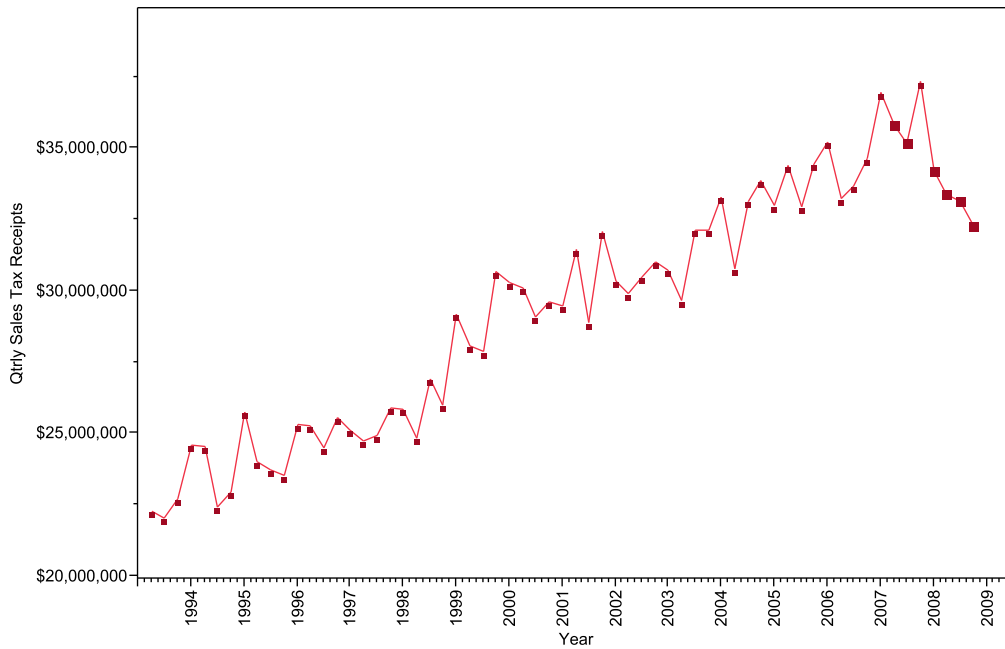
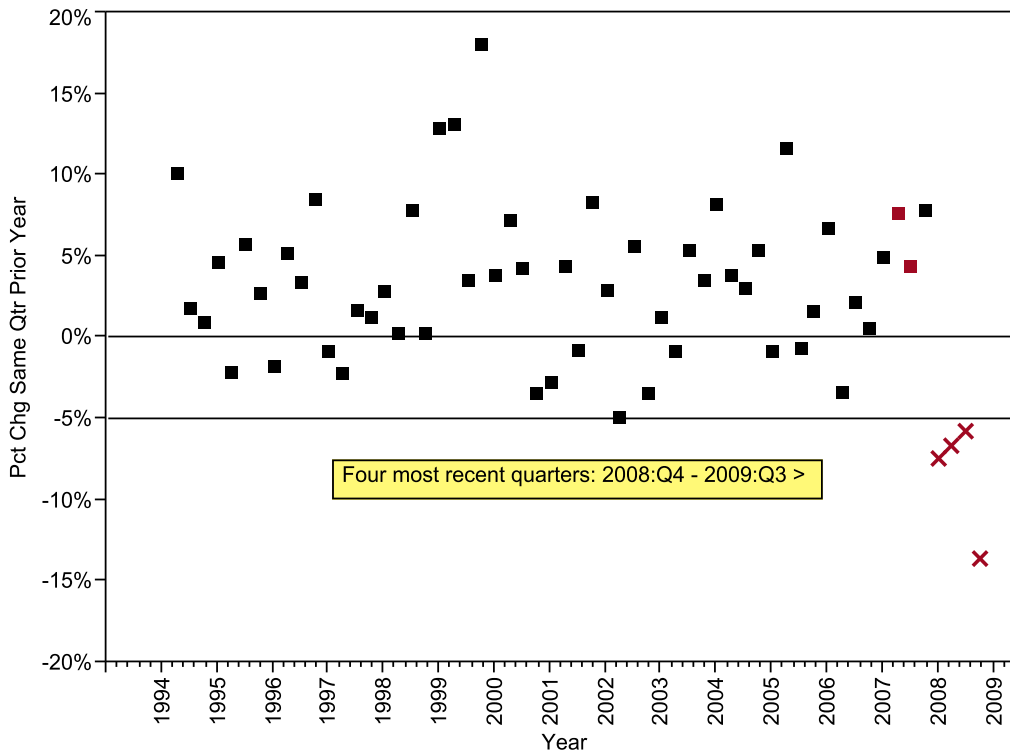


Chart 2: Percent Change Quarterly Sales Tax Revenue Compared to Same Quarter in the Prior Year, Albany County, After Distribution of 40 Percent Municipal Share, 1993-2009, Q3



Each Point Represents the Change from the Same Quarter in the Prior Year. Prior to the current year, the fifteen year average was 3.1 percent.