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**Albany County Sales Tax Revenues Continue Decline from Prior Year –
Fourth Quarter Receipts about Same as Third Quarter but Fall by 4.93 Percent from 2008.**

Key Points:

- For the year 2009, sales tax revenues declined nearly \$18.60 million total and nearly \$11.16 million in the 60 percent that the County retains after distributions to cities and towns. The year-to-year percentage decrease was 7.83 percent.
 - Fourth quarter receipts were up very slightly from the third quarter, but down from the quarter of 2008 (-4.93 percent). Receipts were lower than any fourth quarter since 2003.
 - The 2009 sales tax shortfall was \$13.77 million compared to the amount budgeted.
 - From 2008 to 2009, the year-to-year decline in reported taxable sales in Albany County was approximately \$465 million which equates to about \$1,550 per resident.
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Albany County ended 2009 with sales tax revenue of \$218,901,832. Total sales tax revenues for the fourth quarter of 2009 were \$54,207,432. Total annual sales tax revenues were down \$18,597,857 from 2008, a decline of 7.83 percent

The County retains 60 percent of sales tax revenue and distributes the remaining 40 percent to cities and towns. Thus for the year, the net amount available to the County was \$131,341,100, a decline of \$11,158,714. For the year, the County's sales tax budget shortfall was \$13,772,698.

The Fourth Quarter of 2009

- In the fourth quarter of 2009, the County's 60 percent share of sales receipts was \$32,524,459. This was a *decrease* of County share of sales tax revenue of \$1,685,507 which was 4.93 percent *below* the fourth quarter of 2008 and 12.04 percent *below* the fourth quarter of 2007.
- In six of the eight most recent calendar quarters, sales tax revenues declined from the prior quarter. Fourth quarter, 2009 receipts represented a slight *increase* of 0.76 percent from the third quarter of 2009. This was the first improvement of any sort since the third quarter of 2008. However, over the past 15 years, the average fourth quarter has generated a two percent increase over the average third quarter and the most recent quarterly change was well below the historical average.

- In the prior fifteen years, no year-to-year quarterly *decrease* exceeded 4.9 percent. But compared to the same quarters in the prior year, the five most recent quarters have *fallen* 7.48, 6.63, 5.74, 13.6 and 4.93 percent respectively.
- Receipts in the fourth quarter, 2009 were *lower* than any other fourth quarter since 2003.

The Year 2009

- The County budgeted \$241,856,330 for sales tax revenue in 2009, of which the County would retain \$145,113,798.
- Through all of 2009, the County's total sales tax revenues are *down* \$11,158,714, or -7.83 percent from 2008.
- The 2009 sales tax shortfall was \$13.77 million compared to the amount budgeted.
- Annual receipts for the year were *lower* than any year since 2005.

Table 1: County Share (60%) of Gross Sales Tax Revenues

	2008 Actual	2009 Budget	2009 Actual	Change from 2008	Percent Change	Difference from Budget	Percent Difference from Budget
Q1	\$ 35,774,876		\$ 33,402,135	\$ (2,372,741)	-6.63%		
Q2	\$ 35,152,178		\$ 33,133,815	\$ (2,018,363)	-5.74%		
Q3	\$ 37,362,794		\$ 32,280,690	\$ (5,082,104)	-13.60%		
Q4	\$ 34,209,966		\$ 32,524,459	\$ (1,685,507)	-4.93%		
Total	\$ 142,499,814	\$ 145,113,798	\$ 131,341,100	\$ (11,158,714)	-7.83%	\$ (13,772,698)	-9.49%

The Importance of Sales Tax Revenues to Albany County

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 Prospects

Although there are some modest 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 taxable sales. From 2008 to 2009, the year-to-year *decline* in taxable sales in Albany County was approximately \$465 million which equates to about \$1,550 per resident. Fewer sales and stagnant prices yield lower sales tax receipts. While the fourth quarter of 2009 did not show a decline from the third, this is not an indicator of an economic turnaround. Overall we doubt that such a 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

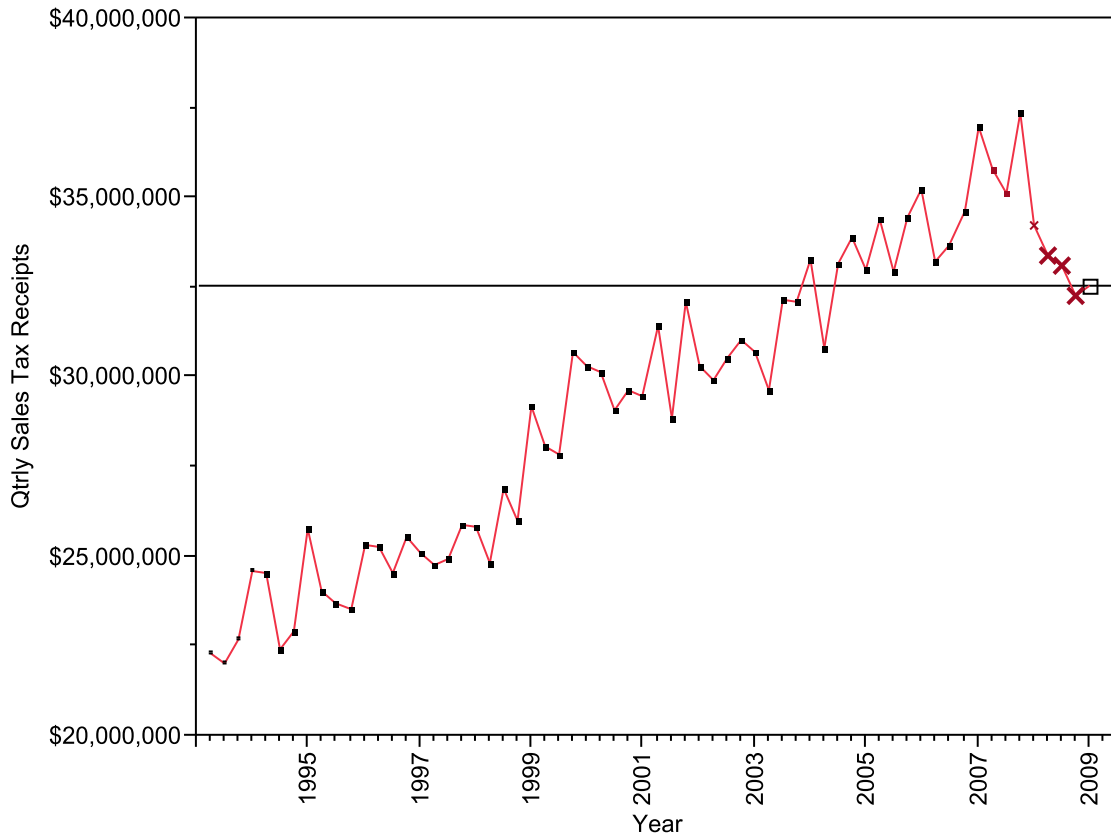
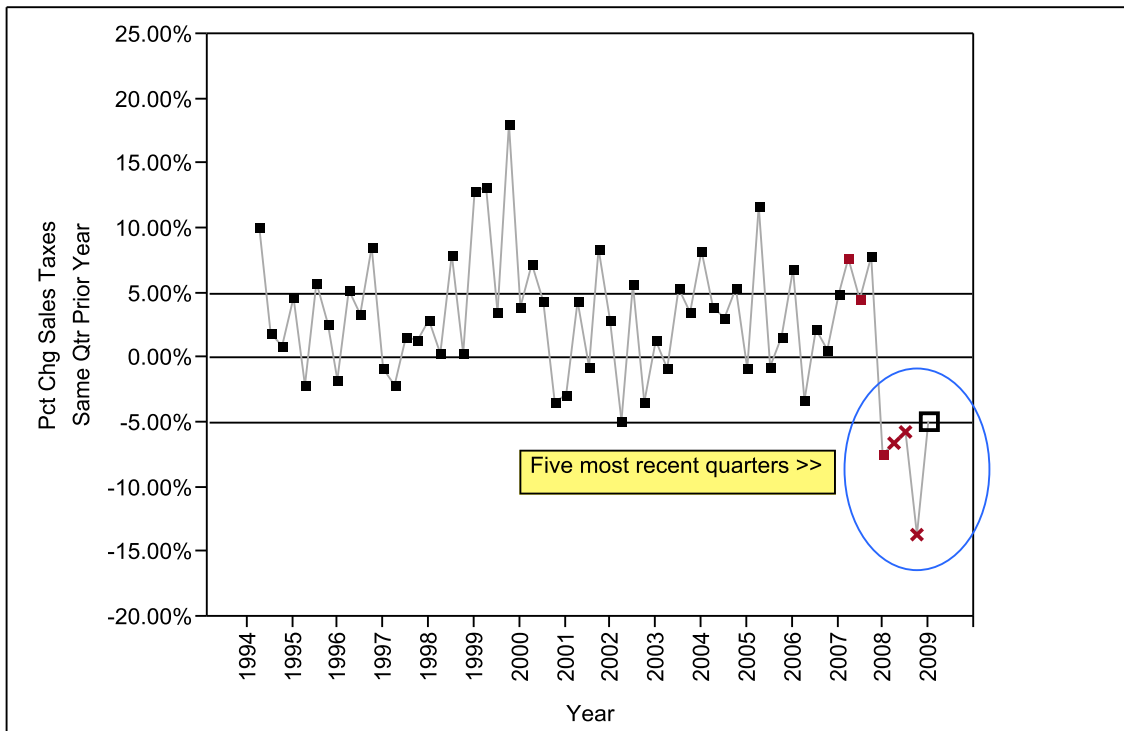


Chart 2: Percent Change Quarterly Sales Tax Revenue Compared to Same Quarter in the Prior Year, Albany County, After Distribution of 40 Percent Municipal Share, 1993-2009



Each Point Represents the Change from the Same Quarter in the Prior Year. Prior to the 2009, the fifteen year average was 3.1 percent.