NOVEMBER 2021

Sales Tax Report

Office of Management and Budget

Waco, Texas

Waco November 2021 Sales Tax Report

Background

The sales tax information is provided monthly by the Texas Comptroller. The sales tax information is reported 2 months in arrears; therefore, the November report reflects September actual sales tax figures.

The city collected $5,022,083 for September 2021. This amount is a record collection for the month and is the second highest amount ever collected by the city. This is the second collection of the fiscal year. This amount is almost $1M over the budgeted amount for the month, and YTD collections are $1,458,213 or 19.31% higher than the budgeted amount.

	FY 22 Budget	FY 22 Actuals	Variance to Budget	FY 21 Actuals	FY 20 Actuals
⊟ FY 22					
Oct	3,527,248	3,987,666	460,419	3,358,924	3,343,871
Nov	4,024,289	5,022,083	997,794	4,084,701	3,157,356
Dec	3,426,967		-	3,450,354	4,704,468
Jan	3,357,207		-	3,329,482	2,997,631
Feb	4,721,890		-	4,652,710	2,932,647
Mar	3,191,527		-	3,297,481	3,459,183
Apr	3,165,367		-	2,870,347	2,628,993
May	3,980,689		-	5,370,413	3,135,039
Jun	3,195,887		-	4,236,094	4,059,669
Jul	3,422,607		-	4,031,318	3,170,619
Aug	4,059,169		-	4,531,386	3,358,924
Sep	3,527,248		-	3,941,023	4,084,701
Grand Total	**43,600,094**	**9,009,749**	**1,458,213**	**47,154,233**	**41,033,102**

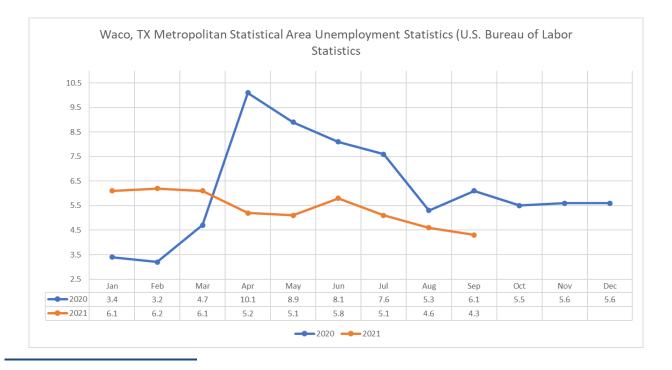|	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
■ FY 20 Actuals	3,343,871	3,157,356	4,704,468	2,997,631	2,932,647	3,459,183	2,628,993	3,135,039	4,059,669	3,170,619	3,358,924	4,084,701
■ FY 21 Actuals	3,358,924	4,084,701	3,450,354	3,329,482	4,652,710	3,297,481	2,870,347	5,370,413	4,236,094	4,031,318	4,531,386	3,941,023
■ FY 22 Budget	3,527,248	4,024,289	3,426,967	3,357,207	4,721,890	3,191,527	3,165,367	3,980,689	3,195,887	3,422,607	4,059,169	3,527,248
●FY 22 Actuals	3,987,666	5,022,083										

Sales Tax Forecast

The November sales tax report is the second report of the 2022 fiscal year. The budget staff expects sales tax collections in the city to return to pre-pandemic levels, increasing 3 to 6 percent year over year as the population and number of businesses increase. As a result, the budget staff has budgeted $43,600,094 for the 2022 fiscal year. However, the budget staff monitors sales tax collections throughout the year, to make any adjustments. The forecast is based on historical actuals and the current month collection. Therefore, if a month is above average the forecast will show a higher year end forecast. If a month's collection is below average, then the forecast will decrease.

The city is collecting more funds than expected, which is positive; however, the budget staff remains cautious as some of the increase in sales tax revenue is aided by other major factors occurring in the overall economy.

1. Decrease in Unemployment
The national unemployment rate decreased from 7.8% to 4.8%, from September 2020 to September 2021. This is the lowest unemployment rate since Covid shutdowns started last March and when unemployment peaked at 14.8%. The Waco Metro area's unemployment rate is mirroring the national trend. The local unemployment rate decreased from 6.1% to 4.3% from September 2020 to September 2021 and peaked in April 2020 at 10.1% (U.S. Bureau of Labor Statistics).[1]

Waco, TX Metropolitan Statistical Area Unemployment Statistics (U.S. Bureau of Labor Statistics

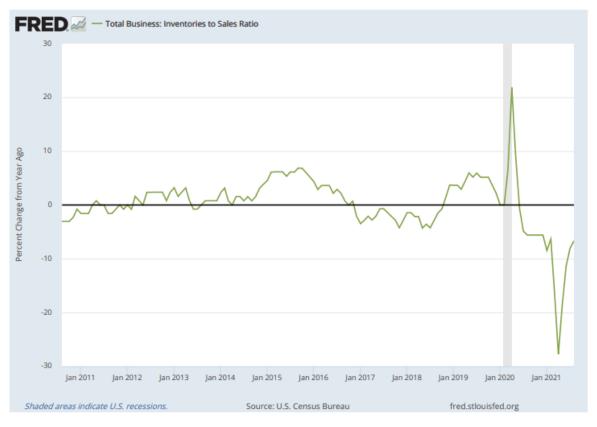|	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	3.4	3.2	4.7	10.1	8.9	8.1	7.6	5.3	6.1	5.5	5.6	5.6
2021	6.1	6.2	6.1	5.2	5.1	5.8	5.1	4.6	4.3			

1 Source: https://beta.bls.gov/dataViewer/view/timeseries/LNS14000000

2. Child Tax Credit Program

As part of the American Rescue Plan Act, families are now able to receive a portion of their child tax credit throughout the year, rather than as a part of their income tax return. This policy has reached nearly 60 million children and pumps $15 billion dollars into the US economy every month. On average, a family with eligible dependents receives an additional $423 per month (US Treasury and Internal Revenue Service)[2]
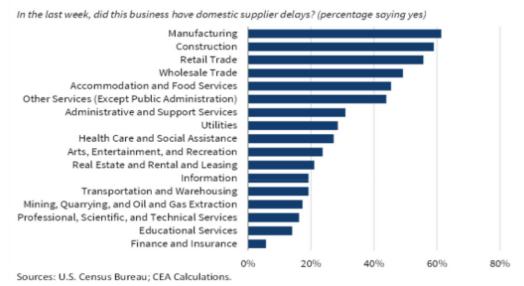
3. Supply Chain issues

While Covid numbers have been reduced globally, there is still a shortage of supplies and employees to manufacture and transport them to consumers. The chart below shows the major decline in inventory year over year. There has been very little variance in inventory over the last ten years. However, the pandemic shutdowns have led to supply chain issues.[3] This has created a limited supply of products across the board.

Figure 2. Supply-Chain Disruptions By Sector

In the last week, did this business have domestic supplier delays? (percentage saying yes)

Sector	
Manufacturing	
Construction	
Retail Trade	
Wholesale Trade	
Accommodation and Food Services	
Other Services (Except Public Administration)	
Administrative and Support Services	
Utilities	
Health Care and Social Assistance	
Arts, Entertainment, and Recreation	
Real Estate and Rental and Leasing	
Information	
Transportation and Warehousing	
Mining, Quarrying, and Oil and Gas Extraction	
Professional, Scientific, and Technical Services	
Educational Services	
Finance and Insurance	

0%   20%   40%   60%   80%

Sources: U.S. Census Bureau; CEA Calculations.

4. Consumer Price Index (CPI)

The recent data shows an increase in demand as people return to work and see their wages and income increase; however, the supply chain issues have created a shortage of supplies for consumers. The combination of higher demand and limited supply has resulted in record inflation in the economy. This can be seen in the record increase of 5 percent in the Consumer Price index from October 2020, for the South region of the United States. The CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services (U.S. Bureau of Labor Statistics).[5]

This has led to price increases on products, which has contributed to increased sales tax revenues. However, the budget staff is cautious as to whether this increase will continue to benefit the city long-term. The higher sales tax revenue does not necessarily mean a higher economic output by consumers. It could mean that consumers are paying higher prices for the same goods. The CPI increase of 5% does not account for food and energy. The CPI index increase is 6.6% when factoring in these items. Food overall has increased 5.1% from October 2020. Meats, poultry, fish, and eggs has increased 12.7% for the same period. The energy index has increased 29.3% and energy commodities (crude oil, heating oil, natural gas, and gasoline) has increased 52.9% from October 2020. Both food and energy prices are somewhat correlated to each other, as an increase in fuel cost will generally lead to an increase in food cost. Additionally, these items are considered necessities. If inflation in the overall economy continues to increase but wages do not, then spending on discretionary goods or non-essential products will

decline. This effects the city because the city does not collect sales tax on most food and energy commodities. The budget staff will continue to monitor these indicators throughout the year.

Chart 1. Over-the-year percent change in CPI-U, South region, October 2018–October 2021

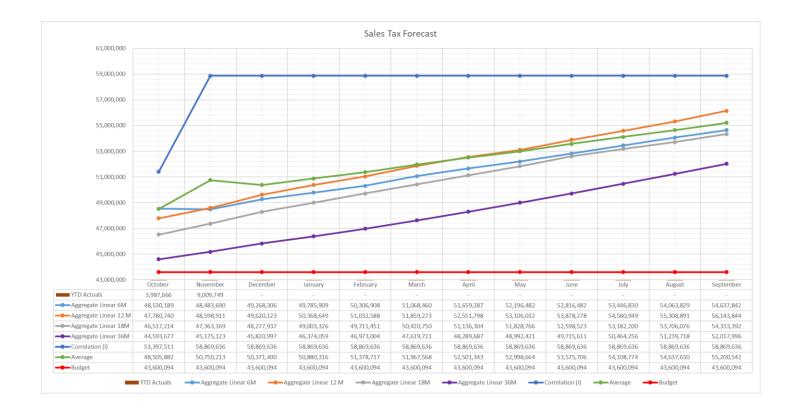Source: U.S. Bureau of Labor Statistics.

Forecast

The reported amount for November, represents the second highest collection for the city. As a result of this and the most recent data, the forecast model is showing a significantly higher amount compared to the budget. With only two months of data, it is far too early to determine and to make an accurate forecast. However, the budget staff does expect the following moving forward:

- The budget staff expects sales tax revenue collections for the month of October to be strong. The Baylor football program hosted three home games which led to higher hotel occupancy rates than last year. In addition, October featured the Ironman triathlon and Silobration two events that brought in a large number of visitors.
- The budget staff expects sales tax revenue to return to its new normal starting with the January collections (received in March), if the current child tax credit program ends at the end of the calendar year.
- The budget staff expects the collection for the month of March (received in May) will also see a decrease from 2020, mostly due to the lack of a stimulus payment (March 2021 was when the American Rescue Plan Act was signed into law and contained the $1,400 stimulus checks) and the reduction in income tax returns due to the current child tax credit program.

- Lastly, if inflation continues at higher-than-expected rates, consumers will reduce spending on taxable (discretionary) items which will lead to lower revenues collected by the city.

As we progress through the fiscal year and collect more data, the budget staff expects the plotted lines to come closer together to have a more accurate forecast.

Sales Tax Forecast

	October	November	December	January	February	March	April	May	June	July	August	September
YTD Actuals	3,987,666	9,009,749	-	-	-	-	-	-	-	-	-	-
Aggregate Linear 6M	48,530,189	48,483,690	49,268,306	49,785,909	50,306,908	51,068,460	51,659,287	52,196,482	52,816,482	53,446,830	54,063,829	54,637,842
Aggregate Linear 12 M	47,780,740	48,598,911	49,620,123	50,368,649	51,032,588	51,859,273	52,551,798	53,106,012	53,878,278	54,580,949	55,308,891	56,143,844
Aggregate Linear 18M	46,517,214	47,363,169	48,277,937	49,003,326	49,711,451	50,420,750	51,136,304	51,828,766	52,598,523	53,182,200	53,706,076	54,333,392
Aggregate Linear 36M	44,593,677	45,175,123	45,820,997	46,374,059	46,973,004	47,619,721	48,289,687	48,992,421	49,715,611	50,464,256	51,239,718	52,017,996
Correlation (i)	51,397,511	58,869,636	58,869,636	58,869,636	58,869,636	58,869,636	58,869,636	58,869,636	58,869,636	58,869,636	58,869,636	58,869,636
Average	48,505,882	50,750,213	50,371,400	50,880,316	51,378,717	51,967,568	52,501,343	52,998,664	53,575,706	54,108,774	54,637,630	55,200,542
Budget	43,600,094	43,600,094	43,600,094	43,600,094	43,600,094	43,600,094	43,600,094	43,600,094	43,600,094	43,600,094	43,600,094	43,600,094

YTD Actuals — Aggregate Linear 6M — Aggregate Linear 12 M — Aggregate Linear 18M — Aggregate Linear 36M — Correlation (i) — Average — Budget

Texas at a Glance

- The State of Texas total net payments for this Period: $697,812,533.90; comparable Payment Prior Year: $583,889,202.29; Percent Change: 19.51%.

- The State of Texas total payments YTD: $6,540,477,524.98; total prior year payment YTD: $5,714,519,751.69; percent change: 14.45%.

The top 30 cities saw an increase in the period.

The City of Waco ranked 24th in the state for the November net sales tax payment report.

Rank	City	Net Payment This Period	Comparable Payment Prior Year	% Change
1	Houston	$70,488,581.42	$61,376,751.04	14.84%
2	San Antonio	$40,560,770.60	$33,737,703.38	20.22%
3	Dallas	$35,073,326.13	$24,922,677.49	40.72%
4	Austin	$28,024,550.74	$21,178,009.11	32.32%
5	Fort Worth	$18,737,920.37	$15,030,497.72	24.66%
6	Arlington	$16,980,306.72	$12,436,223.24	36.53%
7	Frisco	$10,769,146.46	$8,578,551.32	25.53%
8	El Paso	$10,620,470.82	$9,249,867.70	14.81%
9	Round Rock	$10,156,322.10	$7,538,131.34	34.73%
10	Plano	$9,338,126.78	$8,387,377.39	11.33%
11	Lubbock	$8,669,600.15	$7,488,790.48	15.76%
12	Amarillo	$8,619,547.31	$7,917,555.25	8.86%
13	Corpus Christi	$8,165,267.86	$7,398,720.01	10.36%
14	Irving	$7,968,950.92	$6,709,534.55	18.77%
15	McAllen	$7,723,908.12	$6,493,987.28	18.93%
16	Grand Prairie	$7,639,987.36	$6,023,922.08	26.82%
17	McKinney	$7,058,140.85	$6,167,503.19	14.44%
18	Conroe	$6,215,731.64	$5,393,359.90	15.24%
19	Midland	$5,781,769.47	$4,916,298.01	17.60%
20	Odessa	$5,519,371.29	$4,370,808.02	26.27%
21	Abilene	$5,237,066.17	$4,590,201.61	14.09%
22	Sugar Land	$5,214,174.95	$4,392,182.11	18.71%
23	Mesquite	$5,118,687.06	$4,565,388.62	12.11%
24	Waco	$5,022,083.03	$4,084,700.80	22.94%
25	Richardson	$4,966,293.04	$4,069,630.67	22.03%
26	Tyler	$4,965,429.01	$4,346,107.52	14.25%
27	Allen	$4,849,938.38	$4,116,373.00	17.82%
28	Beaumont	$4,842,751.44	$4,368,634.03	10.85%
29	Lewisville	$4,735,920.52	$4,164,882.64	13.71%
30	Laredo	$4,713,259.21	$3,928,493.72	19.97%