

MEMORANDUM



DATE: April 28, 2023
TO: Assembly Finance Committee
FROM: Jeff Rogers, Finance Director
SUBJECT: Update on FY24 Revenue Forecast

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Quarterly filings for locally collected sales taxes are due to the CBJ Sales Tax Office by Monday, May 1. Those returns take several days of administrative processing, and the quarterly results will not be available for the May 3 Assembly Finance Committee meeting. The Finance Department will provide the AFC with the most recent sales tax data available from the preceding fiscal quarter at the May 10 committee meeting.

However, CBJ has received filings from Remote Sales Tax for the months of January and February, and those returns are significantly below estimates. January's return was \$269,000 and February's return was \$242,000; totaling \$511,000 versus a forecast of \$545,000—which is an underperformance of approximately 6% relative to the forecast. These winter months are cyclically low months, and the 2023 revenues do exceed the same months in 2022. That notwithstanding, these weaker-than-forecast months may be the earliest possible indication that Juneau resident spending is starting to weaken due to high rates of inflation and stagnant wages. It is likely that remotely ordered goods tend to more *discretionary* than essential—so a weakening in Remote Sales Tax revenue could be the canary in the coal-mine that Juneau residents are doing less discretionary spending because essentials are costing them more due to inflation.

The FY24 Proposed Budget forecasts \$4.0 million of Remote Sales Tax. If these weak months indicate some softening in the spending capacity of Juneau residents, then that forecast could be too high. Perhaps more importantly, if this data indicates local spending weakness, there could be risk that the forecast for locally collected Sales Tax is also too high. Or conversely, you might conclude that the weakening of Remote Sales Tax revenue could yield an increase in locally collected sales tax because residents are probably buying more of their essential goods here locally in Juneau.

The Finance Department will provide additional revenue updates at the May 10 and May 17 meetings, but I wanted to be as forthcoming as possible about the apparent weakness of the Remote Sales Tax collections and its possible implication for overall Sales Tax collections in FY24.