

Contact: Brett Spielberg | Director of Public Information  
Cell: 516-329-5171 | Email -[bspielberg@nassaucountyny.gov](mailto:bspielberg@nassaucountyny.gov)  
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**Office of the Nassau County Comptroller  
Jack Schnirman - Comptroller**

240 Old Country Road  
Mineola, NY 11501  
Tel: (516) 571-2386 | Fax: (516) 571-5900

## **Comptroller's 2020 Mid-Year Financial Report Underscores Impact of COVID-19 on Budget Performance**

Report outlines specific risks and opportunities accounting for unprecedented impact of COVID-19 on economically sensitive revenues, including opportunities to potentially improve outlook by \$124.4 million and risks that could increase deficit to \$526.8 million.

Mineola, NY - Nassau County Comptroller Jack Schnirman announced the release of his Office's annual Mid-Year Financial Report, which provides projections for the 2020 fiscal year against the 2020 Adopted Budget based on the first six months of the year.

The 2020 mid-year financial projections estimate that the County will end the current year with a \$340.4 million operating deficit and an ending unassigned fund balance deficit of \$227.1 million in the primary operating funds under Generally Accepted Accounting Principles (GAAP). This compares to a \$145.3 million operating surplus and an ending unassigned fund balance of \$112.2 million at fiscal year-end 2019. The mid-year financial projections underscore the County's current unprecedented and daunting fiscal outlook.

"Our report and analysis show the daunting COVID-reality of the County's fiscal position in 2020. When we released our financial impact analysis of COVID-19 on County revenues back in May, we saw that the County had a strong start to 2020 and was building upon the current administration's progress since 2018. However, the numbers illustrate what we have all been witnessing: the pandemic has been an unprecedented

gut punch to our local economy and County finances,” said Nassau County Comptroller Jack Schnirman. “As we look ahead to the second half of 2020, the looming questions we must ask are: How can we improve the trajectory, how bad can it get, and what if there's another shutdown?” The answers to those questions will drive how large the deficit is at the end of the year.”

At 2019 year-end, the County’s total unassigned fund balance was \$112.2 million, a significant improvement since fiscal year 2017’s negative unassigned fund balance of \$68.8 million. The improvement in the County’s total unassigned fund balance was primarily the result of improved 2019 results over the prior year mainly due to higher **sales tax revenues and lower expenditures resulting from salary and fringe costs.**

However, with the onset of the COVID-19 pandemic and related shutdown, the positive gain that the County experienced in 2019 may potentially be erased in 2020, and there may be future effects on the County’s 2020-2023 Multi-Year Financial Plan.

The Comptroller’s Office Mid-Year Report underscores potential opportunities that have the possibility of being realized to improve this outlook, which total approximately \$124.4 million. However, the largest risk to the 2020 projections would be if there were a hypothetical second wave, requiring shutdowns to the local economy, with potential risks resulting in deficit projections as high as \$526.8 million.

Projected financial risks and opportunities identified in the report’s projections include:

### **Positive "Opportunity" Key Drivers**

**Payroll and Fringe Savings:** +\$71.0 million - Primarily unfilled positions County-wide slightly offset by higher OT and PD termination pay costs;

**Federal Aid:** +\$30.0 million - CARES Act funding received from the FTA for bus operations;

**Social Services:** +\$15.5 million - Savings projected in Recipient Grants (\$3.0 million), Purchased Services (\$3.4 million), and Medicaid (\$9.1 million);

**Debt Service:** +\$13.9 million - Expenditure savings in principal and interest costs projected primarily due to lower borrowings than budgeted; and

**Local Government Assistance:** \$13.2 million - Expenditure savings due to lower sales tax revenues redistributed to local governments.

### **"Risk" Key Drivers**

**Sales Tax Revenue:** -\$238.8 million - Shortfall due to economic conditions, shutdowns, and consumer confidence due to COVID-19 pandemic;

**Departmental Revenue:** -\$65.3 million - Due to revenue shortfalls across departments but primarily GIS Tax Map revenues (\$12.7 million) and lower projected Farebox revenues (\$30.0 million);

**State Aid:** -\$52.0 - Primarily the result of the State's ability to cut back funding to local governments as a result of COVID-19 shortfalls at the State Level;

**Fines and Forfeitures:** -\$43.0 million - Primarily due to lower PD Public Safety (\$13.7 million); Red Light Camera (\$13.3 million); and other Traffic and Parking Violations Agency (TPVA) fines;

**OTB Lottery Terminals:** -\$15.2 million - Due to shutdowns in the gaming industry resulting from the COVID-19 pandemic;

**Rents and Recoveries:** -\$13.0 million - Primarily due to risks in Sale of County Property (\$6.5 million) and Coliseum revenues (\$3.0 million).

The full report can be found online, [here](#).

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