



Nassau County
Proposed 2026 Budget
Review of Risks & Opportunities

Office of Nassau County
Comptroller Elaine Phillips

October 2025

OFFICE OF THE NASSAU COUNTY COMPTROLLER
Proposed 2026 Budget Risks and Opportunities

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OFFICE OF THE NASSAU COUNTY COMPTROLLER
Proposed 2026 Budget Risks and Opportunities

Hon. Elaine Phillips
Nassau County Comptroller



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October 16, 2025

On behalf of the Office of the Nassau County Comptroller, I am proud to present our review of the risks and opportunities in the County Executive's Proposed Operating Budget for 2026, as required by the Nassau County Charter.

A budget is the primary instrument for implementing fiscal policy. Thoughtful planning, backed by reasonable and supportable projections, serves as the foundation for good government and for the efficient and effective delivery of essential services.

My Office has reviewed the major revenue sources and major categories of expenditures contained in the County Executive's Proposed 2026 Budget. Consistent with best practice, my office has identified risks and opportunities that could result in budget variances in 2026.

Nassau County will go into 2026 in a strong fiscal position as evidenced by the past years' surpluses, responsible management of reserves and liabilities, and the favorable evaluations of independent rating agencies and the New York State Comptroller's Office.

Sincerely,

A handwritten signature in cursive script that reads "Elaine Phillips".

Elaine Phillips
Nassau County Comptroller

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EXECUTIVE SUMMARY

PURPOSE

The Nassau County Charter requires that the Nassau County Comptroller render an opinion as to the reasonableness of the estimates contained in such proposed budget relating to non-real property tax revenues. This report has been prepared pursuant to §402 (8) of the County Charter.

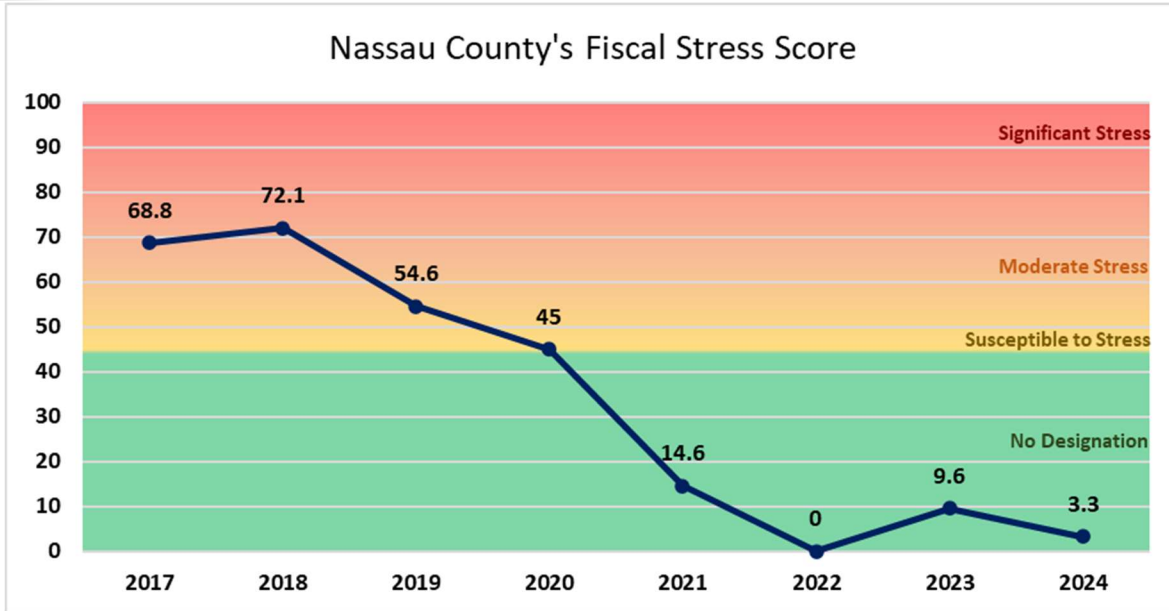
Nassau County is in a strong financial position. Nassau’s bond ratings are at their highest levels in more than 30 years, and the major bond rating agencies continue to acknowledge the County’s excellent fiscal condition. In May 2025, S&P upgraded the County’s rating to AA Stable. Moody’s reaffirmed its 2024 upgrade of Aa2 Stable and Fitch also reaffirmed its AA Stable rating.

The May 2025 rating agency reports noted stronger management practices and financial performance that have paved the way to historic levels of reserves and budgetary flexibility.

The County's Bond Ratings						
	2023-May		2024-May		2025-May	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Moody's Investors Service	Aa3	Positive	Aa2	Stable	Aa2	Stable
S&P Global Ratings	AA-	Stable	AA-	Positive	AA	Stable
Fitch Ratings	A+	Positive	AA	Stable	AA	Stable

For the past four years, Nassau County’s fiscal stress score has been calculated as “no designation” of fiscal stress by the Office of the New York State Comptroller. This score is an additional, independent confirmation of the financial health of the County.

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In this report we detail the potential risks (that proposed revenues will be lower or expenditures will be greater than budgeted) and opportunities (that the proposed revenues will be higher or expenditures lower than budgeted) contained within the proposed budget.

This report begins with a review of the 5 Budgetary Funds and then looks at the 3 operating funds. The County Administration manages to the five budgetary funds.

- The 5 Budgetary Funds are:
 - Unconsolidated (Standalone) General Fund;
 - Police Headquarters Fund;
 - Debt Service Fund;
 - Fire Commission Fund; and
 - Police District Fund.

In evaluating the County Administration's Proposed 2026 Budget, we have taken a conservative view of revenue streams and sales tax growth. All things considered, we believe the Administration has produced a fiscally responsible and balanced budget for 2026.

The Administration should be mindful of managing to the budget in 2026. In addition, the County should explore ways to reduce expenditures and/or increase revenue going forward.

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Following the review of the 5 Budgetary Funds, this report includes a review of the 3 Primary Operating Funds. The County’s financial statements, the Annual Comprehensive Financial Report (ACFR), are prepared in accordance with Generally Accepted Accounting Principles (GAAP), which reports on the County’s operations and major funds differently than the Administration in order to comply with GAAP. Most of the reserves are consolidated into the County’s General Fund for reporting purposes.

- The 3 Primary Operating Funds are:
 - Total consolidated General Fund¹;
 - Police District Fund; and
 - Sewer and Storm Water District Fund.

The 3 primary operating funds have different tax bases with activity that represent the daily operations of the County and complies with GAAP for governments, a common set of accepted accounting principles, standards, and procedures for governmental financial reporting. *Appendix A: County Operating Funds* provides more details on the distinction between the reporting by the 5 budgetary funds and the 3 operating funds.

GAAP accounting differs from budgetary accounting. Among the differences is that GAAP accounting does not recognize use of fund balance as revenue. GAAP treats balance transfers (use of reserves) as an other financing source, not as revenue. See Section *Projected GAAP Results for Fiscal Year 2026* for further information on the difference between the two reporting bases.

¹ GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* was adopted by Nassau County in fiscal year 2011. GASB Statement No. 54 clarified the definition of General Fund, which caused the County to reconstitute the General Fund to include funds that are not defined as Special Revenue Funds. Special Revenue Funds are used to account for and report the “proceeds of specific revenue sources” that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. In accordance with GAAP, the General Fund is comprised of the following active County funds: General; Police Headquarters; Fire Commission; Debt Service; Open Space; Technology; and the following reserves: Litigation; Employee Accrued Benefit Liability Reserve; Retirement Contribution Reserve; Bond Indebtedness Reserve; Opioid Litigation Settlement Fund; and the Operating Reserve Fund.

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PROPOSED FISCAL YEAR 2026 BUDGET OPPORTUNITIES/RISKS

Based on the review performed, the Comptroller’s Office estimates that the 2026 Proposed Budget is balanced for the five (5) budgetary funds² The risks and opportunities are shown in Table 1 for the 5 budgetary funds and Table 2 for the Sewer and Storm Water Fund and the reserve funds that are consolidated into the General Fund for reporting purposes.

Table 1. *Potential Opportunities/ (Risks) to the 2026 Proposed Budget* below identifies the projected risks and opportunities for the five budgetary funds.

Below are some of the key assumptions for the projections in this report:

- The 2026 Proposed Budget includes an estimated \$57.9 million budgeted for the approximately 400 vacant positions in the County in the 5 budgetary funds and \$60.0 million when the Sewer and Storm Water Fund is added. The projections in this report do not include a cost for these vacant positions as the methodology used by the Comptroller’s Office is to project using current on-board headcount adjusted for additional police and correctional classes and related attrition.
- The Administration announced that it would offer a voluntary separation incentive program (VSIP) for employees with a minimum of 10 years of County service and as a result, budgeted for a reduction in salaries of \$27 million in 2026. The projections in this report do not include any cost related to the VSIP as it is unknown how many employees will avail themselves of the program. The program also requires both County Legislature and Nassau County Interim Finance Authority approval.
- While this report projects that property tax refunds and judgments and settlements will have a surplus in 2026 due to budgeted appropriations in the Litigation Fund (LIT) reserve, the report assumes that all judgments and settlements, and all but \$3.0 million of property tax refunds, will be paid out of the Litigation Fund.
- The 2026 Proposed Budget includes an adopted budget for most of the reserve and other funds that are consolidated into the General Fund. Based on discussions with the Budget Office that indicated that most of the appropriations budgeted were for contingency purposes, the projections in this report do not include expenditures in the following funds: Bond Indebtedness Fund (BIF), Retirement Contribution Reserve Fund (RCF), and the Open Space Fund (OSF). The projections do include investment income projected on the cash balances held by these funds.
- The projections do include expenditures reported in the:
 - Litigation Fund (LIT): it is expected that tax certiorari payments and litigation costs will be paid from this fund in 2026.
 - Employee Accrued Benefit Liability Reserve Fund (EBF): \$30.0 million of salaries

² The five (5) budgetary funds are the General Fund (standalone), Police Headquarters and Police District Funds, the Fire Commission Fund and the Debt Service Fund, what the Administration refers to as “the five Major Funds”.

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Proposed 2026 Budget Risks and Opportunities

are budgeted, of which zero was included in the projections. The projections include \$25.0 million in transfers from EBF to Police District and Police Headquarters Funds (\$7.0 million and \$18.0 million, respectively).

- Operating Reserve Fund (ORF): has salaries, fringe benefits, transfers out to the General Fund and insurance expenditures budgeted of \$14.0 million, \$53.0 million, \$8.0 million and \$10.0 million, respectively. Of these balances, only the \$8.0 million transfer out to the General Fund has been projected. Transfers In and Transfers Out are typically not projected, however, because the \$8.0 million was budgeted to fund appropriations that were projected in the 2026 Proposed Budget, it was included.
- The Opioid Litigation Settlement Fund (OLS): which is included in the 2026 Proposed Budget, accounts for \$15.5 million of contractual costs.
- Technology Fund (TCF): equipment costs of \$0.1 million are budgeted and projected to be incurred in this fund.

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Table 1. Potential Opportunities / (Risks) to the 2026 Proposed Budget – 5 Budgetary Funds

2026 Proposed Budget Report			
(\$'s millions)			
2026 Proposed Budget Opportunities/(Risks) 5 Budgetary Funds	2026 Proposed Budget	CO Projected	Variance
Revenues			
Sales Tax	\$1,644.3	\$1,644.3	\$0.0
Use of Fund Balance	0.0	0.0	0.0
Interest Penalty on Tax	36.0	39.0	3.0
Permits and Licenses	18.4	18.4	
Departmental Revenue			\$10.9
Assessment GIS	34.0	34.0	0.0
County Clerk - Mortgage and Deed Recording Fees	27.0	29.3	2.3
Ambulance Fees	32.7	39.7	7.0
Other Departmental Revenue	129.5	131.1	1.6
Fines & Forfeitures			(16.0)
Red Light Camera	33.0	28.6	(4.4)
TPVA Fines & Admin Fees	32.9	20.4	(12.5)
PD Public Safety Fees	2.6	4.0	1.4
Ticket Reconciliation Program	5.0	5.0	0.0
Other Fines and Forfeitures	6.2	5.7	(0.5)
Investment Income	52.3	28.0	(24.3)
Rents and Recoveries			0.0
R0704 - disencumbrances and recoveries	19.0	19.4	0.4
Sale of County Property	13.7	13.7	0.0
Other Rents and Recoveries	24.8	24.4	(0.4)
Federal Aid	222.5	235.0	12.5
State Aid	342.0	358.8	16.8
Capital Resources for Debt	22.7	22.7	0.0
Property Taxes	755.3	755.3	0.0
Payment in Lieu of Taxes	49.6	49.6	0.0
OTB Profits	20.0	20.0	0.0
Transfers In	359.9	33.0	(326.9)
Interfunds (non-eliminating)	84.6	86.4	1.8
Other (includes Special Taxes, OTB 5% BG)	55.9	55.7	(0.2)
Total Revenue	<u>\$4,023.9</u>	<u>\$3,701.5</u>	<u>(\$322.4)</u>
Obligations			
Payroll (excluding Termination Pay and Overtime below)	\$943.9	\$891.1	\$52.8
Termination Pay - total	39.8	65.8	(26.0)
Fringe	789.2	779.1	10.1
Overtime - total	103.1	124.0	(20.9)
Workers' Compensation	40.0	40.0	0.0
Social Services	545.9	575.9	(30.0)
Early Intervention	209.8	228.0	(18.2)
Debt service	303.0	303.0	0.0
DD - General Expenses	51.6	50.3	1.3
Contractual Expense	350.6	349.2	1.4
Utilities	43.8	43.8	0.0
Judgments & Settlements	15.0	0.0	15.0
Property Tax Refunds	15.0	3.0	12.0
Local Government Assistance	98.1	98.0	0.1
Transfers out	324.9	0.0	324.9
Interfunds (non-eliminating)	20.0	20.0	0.0
Other	130.2	129.4	0.8
Total Obligations	<u>\$4,023.9</u>	<u>\$3,700.6</u>	<u>\$323.3</u>
Estimated Results on a Budgetary Basis for 5 Budgetary Funds			<u>\$0.9</u>

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Potential Opportunities

There are several areas identified within the 2026 Proposed Budget that may have opportunities:

- Interest Penalty on Tax: \$3.0 million projected based on current trends.
- Departmental Revenues: a projected \$10.9 million opportunity driven by an estimated increase in Ambulance Fees of \$7.0 million, based on expected collection efforts by a new vendor. There are also projected opportunities in Mortgage and Deed Recording Fees of \$2.3 million due to the reduction in mortgage rates and expectation of further reduction in the Federal Funds rate, and \$1.6 million related to various departmental revenues in several County departments.
- Federal Aid: \$12.5 million projected opportunity, primarily due to day care cost reimbursements, which are partially funded with Federal Aid, as a result of the projected increase in costs for the program. Additional reimbursements are projected for Temporary Assistance to Needy Families (TANF) as an increase in emergency vendor payments is projected due to the continued increase in homelessness.
- State Aid: \$16.8 million projected opportunity primarily related to the reimbursement of costs for pre-school special education services projected at \$12.9 million, which are expected to grow due to increased caseloads. Additional State Aid of \$3.8 million is projected for State Operating Assistance reimbursement (STOA), which partially funds the County's bus system. An opportunity of \$4.2 million is projected for day care cost reimbursements resulting from the projected increase in costs for the program and \$2.7 million for Safety Net Assistance Program (SNAP) as costs for this program are expected to increase due to a rise in homelessness. These opportunities are offset by net risks of \$6.8 million across various County Departments, based on historical trends.
- Interfund Revenues: \$1.8 million projected opportunity based on the revised indirect cost plan prepared by Maximus.
- Payroll, Fringe and Workers' Compensation: \$16.0 million opportunity projected primarily the result of vacancies which contributed \$57.9 million of the net opportunity, and fringe benefits (opportunity of \$10.1 million) offset by risks in overtime and termination pay of \$20.9 million and \$26.0 million, respectively, primarily in the Police funds and Corrections.
- Property Tax Refund: An opportunity of \$12.0 million is projected in the 5 budgetary funds related to property tax refunds. \$3.0 million of the \$15.0 million budgeted is expected to be paid by the General Fund relating to the excess of Disputed Assessment fee refunds. However, it is expected that property tax refunds will be paid from the Litigation Fund reserve, which currently holds approximately \$125.0 million reserved for tax certiorari. The 2026 Proposed Budget appropriated \$70.0 million of the reserve for property tax refunds.

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- **Judgments and Settlements:** An opportunity of \$15.0 million is projected in the 5 budgetary funds related to judgments and settlements. It is expected that all payments will be made from the Litigation Fund reserve, which held \$116.2 million and \$21.6 million for non-Police District and Police District litigation, respectively as of September 2025. The 2026 Proposed Budget appropriated \$95.0 million of the reserve funds for judgments and settlements.

Potential Risks

There are several areas identified within the 2026 Proposed Budget that may have risks:

- **Fines and Forfeitures:** there is a projected risk of \$16.0 million primarily related to fines and administrative fees budgeted in the Traffic and Parking Violation Department of \$12.5 million and red light camera fines of \$4.4 million; the risks are based on historical and year-to-date trends. Offsetting these risks is an opportunity of \$1.4 million in public safety fees as the year-to-date trend indicates the potential for higher revenues than budgeted in the 2026 Proposed Budget.
- **Investment Income:** \$24.3 million risk projected in the 5 budgetary funds related to Investment Income. It should be noted that there is an equal opportunity in Investment Income in the reserve funds.
- **Early Intervention:** \$18.2 million risk is projected due to the anticipated increase in caseloads, the exponential growth of the pre-school education program and supported by historical and year-to-date trends in costs, offset by an opportunity in the Special Education Itinerant Teacher (SEIT) program, which provides specialized individual or group instructions and or indirect services to preschool students with IEP's (Individualized Education Programs).
- **Social Services Programs:** A risk of \$30.0 million is projected in various Social Services programs as follows:
 - \$4.6 million risk projected in Emergency Vendor Payments for Safety Net primarily due to a trending increase in homelessness and mandated regulations that require assistance be provided to individuals and families seeking shelter assistance. Due to the projected increase in expenditures, there will be an offsetting projected increase in State Aid reimbursement.
 - \$20.5 million risk projected for Title XX (Social Services block grant) and Day Care Services due to the projected caseload increase resulting from changes in the eligibility requirements by the State. Due to the projected increase in these types of expenditures, there will be offsetting increases projected in Federal and State Aid reimbursements.
 - \$4.9 million risk projected for Recipient Services for Safety Net costs due to an estimated increase in homelessness.

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- Net Transfers In/Transfers Out: risk of \$2.0 million. The 2026 Proposed Budget includes \$35.0 million of Transfers In from the reserve funds to pay Police termination (\$25.0 million) and workers' compensation costs (\$2.0 million), and \$8.0 million budgeted to transfer to the General Fund for health insurance costs. Of the \$35.0 million, the projections in this report assume the \$25.0 million for termination pay and the \$8.0 million for health insurance costs. Actual transfers will be dependent on the actual costs.

Table 2. below, illustrates the projected opportunities and risks for the remaining funds that comprise the three primary operating funds, which comply with governmental accounting standards for financial reporting. The remaining funds include the Sewer and Storm Water District Fund and the reserve funds that are included in the General Fund for financial reporting purposes. The table identifies only the categories that were budgeted in the Sewer and Storm Water District Fund and the reserve funds in the 2026 Proposed Budget and were projected to have an opportunity or risk.

Table 2. Potential Opportunities / (Risks) to the 2026 Proposed Budget - Sewer and Storm Water Fund and Reserve Funds

2026 Proposed Budget Report			
(\$'s millions)			
2026 Proposed Budget Opportunities/(Risks) Sewer and Storm Water Fund and Reserve Funds	2026 Proposed Budget	CO Projected	Variance
Potential Opportunities			
Investment Income	\$5.4	\$29.7	\$24.3
Payroll (excluding Termination Pay and Overtime below)	40.2	7.0	33.2
Termination Pay - total	30.2	0.2	30.0
Fringe	137.6	7.4	130.2
Workers' Compensation	4.0	0.0	4.0
Debt service	28.6	20.6	8.0
DD - General Expenses	1.7	1.2	0.5
Contractual Expense	102.4	100.1	2.3
Judgments & Settlements	95.4	33.4	62.0
Property Tax Refunds	70.0	43.1	26.9
Transfers out	115.0	33.0	82.0
Other Obligations	10.1	0.2	9.9
Potential Risks			
Use of Fund Balance	\$521.2	\$113.5	(\$407.7)
Departmental Revenue	1.6	1.1	(0.5)
Rents and Recoveries			(8.6)
Rents and Recoveries - Enterprise Revenues	10.9	2.3	(8.6)
Other Rents and Recoveries	0.1	0.1	0.0

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Potential Opportunities

There are several areas identified within the SSW and reserve funds included in the 2026 Proposed Budget that may have opportunities:

- Investment Income: \$24.3 million opportunity projected primarily in the reserve funds related to Investment Income. It should be noted that this offsets the equal risk projected for Investment Income in the 5 budgetary funds.
- Payroll, Fringe and Workers' Compensation: \$197.4 million opportunity projected primarily the result of salary, fringe and workers' compensation appropriations budgeted in the reserve funds that may not be needed.
- Debt Service: an \$8.0 million opportunity is projected in Debt Service costs in the SSW Fund related to delay in the \$95.0 million Environmental Facility Corporation available for drawdown for the Bay Park conveyance project. It was projected to be used in 2026, however, it is likely to be delayed a year.
- General Expenditures of \$0.5 million projected opportunity in the Sewer and Storm Water Fund based on current and historical trends.
- Contractual Expenditures: \$2.3 million opportunity in the SSW Fund related to the sewer operator costs based on historical and year-to-date trends.
- Judgments and Settlements: a projected opportunity of \$62.0 million related to litigation costs. The 2026 Proposed Budget includes \$95.0 million in the Litigation Fund reserve for litigation costs and it is projected that the payments will be approximately \$33.0 million.
- Property Tax Refunds: a projected opportunity of \$26.9 million related to property tax refunds. The 2026 Proposed Budget includes \$70.0 million in the Litigation Fund reserve for property tax refunds and it is projected that the payments will be similar to payments made in 2024 of \$43.1 million.
- Net Transfers In/Out: The 2026 Proposed Budget includes an \$80.0 million transfer from the Bond Indebtedness Reserve Fund (BIF) to the Debt Service Fund without an offsetting Transfer In. Since there is no current plan for a defeasance in the 2026 Proposed Budget, this \$80.0 million represents a potential opportunity. The remaining \$2.0 million represents the Transfers Out from the Litigation Fund (LIT) to the Police District Fund that is not projected as it crosses taxing authorities.
- All Other: an opportunity of \$9.9 million is projected in all other categories. The primary driver of this opportunity is \$10.0 million related to budgeted insurance costs in the Operating Reserve Fund (ORF) that it is not expected to be expended.

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Potential Risks

Use of Fund Balance is not a revenue stream, but a budgetary mechanism to appropriate funds. As such, Use of Fund Balance becomes a GAAP adjustment when arriving at the GAAP results for reporting purposes.

However, because the projections include \$25.0 million transferred from the Employee Accrued Benefit Reserve Liability Fund (EBF) to the Police Funds, and \$8.0 million transferred from the Operating Reserve Fund to the General Fund, and expenditures were projected in the reserve funds, \$113.5 million in Use of Fund Balance was projected as follows:

- EBF of \$25.0 million to cover the transfers to the Police Funds.
- Litigation Fund of \$69.0 million to fund an estimated \$76.1 million of judgments and settlements and tax certiorari payments offset by projected investment earnings in the fund.
- Opioid Litigation Settlement Fund of \$15.5 million to cover the projected expenditures of \$15.5 million in the fund.
- Operating Reserve Fund of \$3.9 million to cover the \$8.0 million projected transfer to the General Fund offset by projected investment income.
- Technology Fund of \$0.1 million to offset the projected spending on equipment.

Two other potential risks were identified in the Sewer and Storm Water Fund:

- Enterprise Revenues - The sewer operator is required to reimburse the County for utility costs as well as for the use of Public Works employees who support the operations of the sewer. Revenues of \$8.6 million have been risked based on current and historical trends.
- Departmental Revenues: \$0.5 million of revenues are risked in the projections based on current and historical trends. The average collected in fiscal years 2020-2024 was approximately \$850 thousand.

Projected GAAP Results for Fiscal Year 2026

- In order to comply with governmental accounting standards of reporting, GAAP adjustments are required to convert the County's budgetary results to GAAP results. Examples of GAAP adjustments reported by the County are as follows: Adjustments for the period of availability: Governmental accounting requires that revenue receivables that have not been collected within a government's period of availability must be deferred, that is, removed from revenue and reported as a liability until such time as the cash has been collected. As reported in the County's Annual Comprehensive Financial Report (ACFR), the County's period of availability for all revenue receivables except for those derived from Federal and State Aid, is 60 days after year-end. Federal and State Aid have a period of availability of one year due to the delay in receiving reimbursement payments for grants and mandated programs.
- A GAAP adjustment is made each year for pension costs. The State's fiscal year (April 1-March 31) differs from the County's (January 1 – December 31). As such, the annual

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pension invoices must be adjusted for reporting purposes to coincide with the County's fiscal year. This results in computing the pension costs as 25% of the invoice paid in the current year plus 75% of the invoice paid in the ensuing year.

- Adjustments for encumbrances: Encumbrances are a budgeting control tool which allows governments to set aside budgeted appropriations for obligations that have not yet been spent. This ensures that appropriations authorized by the government's governing board (the County Legislature in the case of the County) are not exceeded.
 - Since unspent encumbrances are not actual expenditures, unspent encumbrances are added back to budgetary results because they have been included when computing those results. Further, expenditures that are paid subsequent to year-end but were part of the unspent encumbrances, are added back as expenditures to arrive at the GAAP results. Year-over-year GAAP adjustments for encumbrances may vary significantly at year-end.
 - Encumbrances that are no longer needed prior to year-end are disencumbered; those that originated in a prior fiscal year generate a budgetary revenue because it is the recovery of a prior year's appropriation that was included in a previous year's budgetary surplus or deficit. Dis-encumbrances that result in budgetary revenue (reported in R0704 Recovery of Prior Year Appropriations) are excluded from GAAP results.
 - Recoveries of prior year appropriations are comprised of two categories: (1) recoveries in the form of stale checks, refunds, or other cash recoveries of expenditures paid in prior fiscal years, and (2) recoveries of prior year encumbrances, which have the effect of generating revenue on a budgetary basis. However, in accordance with GAAP, encumbrances are not actual expenditures, and therefore, the budgetary revenues generated from the recoveries of prior year encumbrances (a/k/a, disencumbrances) are removed from the GAAP results when converting from budgetary reporting to GAAP reporting.
- Use of Fund Balance is not a revenue source, instead, it is a budget management tool. As such, any Use of Fund Balance that is projected or budgeted has no impact on GAAP results.
- Sale of Mitchel Field Leases: In 2011, the County securitized and sold off future revenue streams of properties located in Mitchel Field. On a budgetary basis, the proceeds were recorded as revenue, however, in accordance with governmental accounting standards, the revenue stream is required to be amortized over the 30-year term. GAAP fund balance reported in the County's financial statements excluded the budgetary proceeds and instead recognizes \$1.25 million of revenue each year.
- Nassau Community College (NCC) adjustment for termination pay borrowing: The County issued debt in 2015 (\$2.1 million) and 2016 (\$7.5 million) to fund termination pay of NCC. In turn, NCC pays the County principal and interest for the debt service on those bonds.

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Both appear as revenue streams in the County's financial system however, bond principal payments are not revenues, therefore, they are removed as part of the GAAP adjustments. NCC has paid the County for the 2015 bonds and has one more principal payment in 2026 for the 2016 bonds.

- In addition to the items noted above, budgetary results may need to be adjusted to accurately reflect the effect of GASB Statements. Certain GASB Statements require significant evaluation of County transactions in order to accurately compute necessary adjustments to the County's governmental fund statements. Examples include GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs)*, and *Availability Payment Arrangements (APAs)*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, and GASB Statement No. 101, *Compensated Absences*, the last of which was adopted in fiscal year 2024. Due to the complexity of the calculations and the evaluations required, these GAAP adjustments are performed annually at fiscal year-end to ensure that all transactions have been captured. For purposes of projecting the GAAP adjustments related to GASB Statements, the projections include the prior year's GAAP adjustments.
- Occasionally there may be other GAAP adjustments required depending on varying circumstances. For example, in the past, transactions were processed in the incorrect fiscal year and GAAP adjustments were required to correct the transaction for financial reporting purposes.

At the time of this report, GAAP adjustments have been estimated based on the information available at the time, based on averages computed using prior year balances, or using actual balances from the prior year. Therefore, these estimates may significantly change depending on the volume of encumbrances that remain unspent, the total encumbrances spent in the ensuing fiscal year, or any of the other factors noted above.

Based on the projected opportunities and risks identified in this report and estimating the GAAP adjustments, discussed above, the projected GAAP results for the 3 operating funds, as would be reported in the County's financial statements, is a deficit of \$136.9 million. This represents the combination of the results for the 5 budgetary funds plus SSW and the reserve funds.

The primary factor that affects the GAAP results is GAAP adjustments for the Use of Fund Balance that was projected in this report of \$113.5 million; as explained previously, Use of Fund Balance is not a revenue stream. The pension expenditure GAAP adjustment, required to recognize pension costs for the fiscal period to which they apply, is an additional factor; this is estimated to reduce results by \$19.8 million. The remaining GAAP adjustments estimated total \$(1.0) million.

Based on the projections in this report, the projected 2026 fiscal year-end results, in accordance with NIFA's Control Period Calculation, is a deficit of \$37.7 million. See Appendix C, *Nassau County Interim Finance Authority (Act) and Control Period Calculation* for details of this calculation.

APPENDIX A: COUNTY OPERATING FUNDS

Budgetary Funds

The County Administration manages to the five budgetary funds: the General Fund (unconsolidated), the Police District and Police Headquarters Funds, the Fire Commission Fund, and the Debt Service Fund. The Administration does not include the reserve funds and the Sewer and Storm Water Fund as part of its “five major funds”, although it does annually budget for the Sewer and Storm Water Fund, and occasionally for the reserve funds. The Administration prepares monthly forecast reports, projecting the fiscal year’s result, for only the five budgetary funds and the Sewer and Storm Water Fund, but not the reserve funds, even if they had an adopted budget or actual revenues and/or expenditures.

Three Primary Operating Funds

The County’s financial statements, the Annual Comprehensive Financial Report (ACFR), are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and encompasses all Governmental Accounting Standards Board Statements (GASBs) that impact the County. The ACFR reports on the County’s operations and major funds³ differently than the Administration in order to comply with GAAP.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, several funds that had previously been reported as separate special revenues funds in the County’s financial reporting, were consolidated with the General Fund beginning in fiscal year 2011. GASB Statement No. 54, was adopted by Nassau County in fiscal year 2011.

GASB Statement No. 54 clarified the definitions of a general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type, which caused the County to redefine the County’s General Fund to include funds that no longer met the Statement’s definition of a special revenue fund. Special Revenue Funds are used to account for and report the “proceeds of specific revenue sources” that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund and have a recurring and steady revenue stream. The consolidated General Fund is more comprehensive than the pre-2011 General Fund.⁴

³ As defined and reported in accordance with GASB Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, issued June 1999.

⁴ The NIFA Control Period Calculation uses the pre-2011 unconsolidated General Fund.

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In order to facilitate consistency in reporting, the ACFR and the two annual financial reports issued by the Comptroller’s Office, the Mid-Year Report and the Review of the Proposed Budget, report actual results and full year projections for the “three primary operating funds”, which is in compliance with GAAP and GASB Statement No. 54. The three primary operating funds are defined as:

- the total (consolidated) General Fund;
- the Police District Fund; and
- the Sewer and Storm Water District Fund.

Each of these funds is a Major Fund for ACFR reporting.

The reserve funds that are consolidated into the General Fund for reporting purposes are as follows:

- Litigation Fund⁵;
- Employee Benefit Accrued Liability Reserve Fund⁶;
- Retirement Contribution Reserve Fund;
- Bond Indebtedness Reserve Fund;
- Operating Reserve Fund; and
- Excess Sales Tax Reserve Fund (which has been depleted).

Also consolidated into the General Fund are the following operating funds:

- Police Headquarters Fund;
- Fire Prevention Fund;
- Debt Service Fund;
- Open Space Fund;
- Technology Fund; and
- Opioid Litigation Settlement Fund.

⁵ The General Fund and the Police District Fund each report a portion of this fund it their results.

⁶ Ibid.

APPENDIX B: SALES TAX TERMINOLOGY

There are several variables other than economic conditions and some specific to Nassau County that are considered in Nassau County's sales tax forecasts. The section below provides a summary of these factors for informational purposes.

NIFA Set-Aside

- The Nassau County Interim Finance Authority (NIFA) intercepts and withholds a portion of the County's sales tax collections in an amount equal to the NIFA operating costs and the debt service costs it pays on its debt. The County reports its sales tax collections on a gross basis with the offset, the amount withheld by NIFA, reported as debt service on a budgetary basis.
- Due to timing issues with the receipt of sales tax and NIFA's due dates for debt service payments, the amounts withheld from sales tax may differ from the debt service reported by NIFA in the financial statements.

Part County Sales Tax

- New York State Tax Law §1262(d), provides cities and towns a share of certain sales taxes related to hotel occupancy, restaurants, and other retail establishments.
- Nassau County contains two cities and three towns. The City of Glen Cove receives its share of sales taxes as a credit to its property tax levies, while the City of Long Beach receives a direct distribution of these sales taxes from New York State. All three towns (Hempstead, North Hempstead and Oyster Bay) receive the revenues via a credit to their property tax levies.
- The portion of sales tax revenues that the three towns and the City of Glen Cove are entitled to, are budgeted and recorded separately from other sales taxes and are referred to as "Part County" sales tax. This segregation ensures that the property tax bills for the three towns and the City of Glen Cove properly reflect an equal reduction in what otherwise would have been County property taxes owed.
- As Part County sales taxes offset the payment of County property taxes by the three towns and the City of Glen Cove, actual collections can only be recognized up to the amount budgeted each year.
- Variances of actual sales tax received as compared to what is included in the annual adopted budget must be either credited or collected in a subsequent year. Because of the timing of when the operating budget is adopted and when the County's books are closed, any variance to budget for Part County Sales Tax is delayed for two years. This is called a "Prior Year Deferral."
- If the actual amount of sales tax collected is *greater* than budgeted, the County effectively collected too much in property taxes from the City and towns. The County must credit this difference through the Prior Year Deferral.

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- If the actual amount of sales tax collected is *less* than budgeted, the County effectively collected too little in property taxes from the City and towns. The County must collect this difference from the City and Towns.
 - The amount of the Prior Year Deferral varies each year based on the year-end results of sales tax collections.
 - For 2024, because Part County sales tax received was lower than budgeted, the City of Glen Cove and the three towns received excess credit on their property tax levies. This amount of \$2.8 million will need to be included in the calculation of the County's 2026 tax levies and recovered by the County at that time.
-

APPENDIX C: NIFA (ACT) AND CONTROL PERIOD CALCULATION

Since its enactment in 2000, the Nassau County Interim Finance Authority (NIFA) provides State oversight of the County's finances. NIFA was created pursuant to the NIFA Act (the Act) codified as Title I of Article 10-D of the New York State Public Authorities Law. Under the NIFA Act, the County is prohibited from filing any petition for the composition or adjustment of municipal indebtedness without the approval of NIFA and the New York State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. NIFA currently has bonds outstanding through 2035. The NIFA Act was amended on April 3, 2020, as part of New York State's 2021 budget, which was passed on April 3, 2021. Included in the legislation for the State's budget for the 2021 fiscal year were modifications to the NIFA Statute that allowed it to issue up to an additional \$400 million of bonds through December 31, 2021, allowing any bonds issued by NIFA to mature no later than January 31, 2051. NIFA issued debt in 2021, which refunded NIFA and County debt totaling \$1,110.11 million with final maturities of 2035. NIFA has certain powers under the Act to monitor and oversee the County's finances and upon the declaration of a "control period," additional oversight authority.

On January 26, 2011, NIFA adopted a resolution which imposed a control period on the County pursuant to the Act. It determined that the County's proposed fiscal 2011 budget reflected a substantial likelihood that the budget would produce a deficit in excess of one percent of the aggregate result of operations in the major operating funds.

During a control period, NIFA has the authority to:

- Withhold transitional State Aid,
- Approve or disapprove proposed contracts and borrowings by the County,
- Approve, disapprove, or modify the County's financial plan,
- Issue binding orders to the appropriate local officials,
- Impose a wage freeze, and
- Terminate the control period upon finding that no condition exists which would permit imposition of a control period.

The Control Period Calculation requirement was agreed to by NIFA and the County in 2011. The agreement requires that the budgetary results of the County's five funds (the General Fund⁷, Fire Commission Fund, Police Headquarters Fund, Police District Fund, and Debt Service Fund) be converted to GAAP results. Then, adjustments (NIFA adjustments) are made to remove the effect of other financing sources that are derived from the issuance of bonds. These include bond proceeds and premiums used to pay for operational expenditures.

GAAP adjustments for the 5 budgetary funds are applied to the budgetary results and NIFA adjustments are applied to arrive at the NIFA Control Period Calculation.

⁷ NIFA uses the pre-GASB Statement 54 definition of General Fund, which differs from the General Fund reporting in the County's financial statements. GASB Statement 54 was adopted by Nassau County in 2011.

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APPENDIX D: COUNTY RESERVE FUNDS

Funds/Reserves for Liabilities - Millions of Dollars					
Fund	2022	2023	2024	2025 YTD July	2025 YTD Sept.
Bond Indebtedness Reserve Fund*	\$125.0	\$63.0	\$80.6	\$82.1	\$82.7
Retirement Contribution Reserve Fund*	\$70.3	\$72.9	\$86.0	\$87.7	\$88.3
Capital Reserve Fund	\$0.0	\$0.0	\$10.0	\$9.4	\$9.1
Operating Reserve Fund*	\$0.0	\$94.0	\$137.0	\$130.2	\$131.1
Employee Benefit Accrued Liability Reserve Fund:					
Legislative Reserve	\$0.8	\$1.0	\$1.0	\$1.1	\$1.2
PDD Reserve	\$13.3	\$23.9	\$31.1	\$32.3	\$32.9
General Fund Reserve	\$0.0	\$20.0	\$54.0	\$54.0	\$54.0
Total Employee Benefit Accrued Liability Reserve Fund**	\$14.1	\$44.9	\$86.1	\$87.4	\$88.1
Litigation Fund:					
Tax Certiorari Reserve	\$147.2	\$77.9	\$120.3	\$133.0	\$129.7
Workers Compensation Reserve	\$14.0	\$14.0	\$13.7	\$11.8	\$11.8
Health Insurance Reserve	\$25.0	\$0.0	\$0.0	\$0.0	\$0.0
Labor Reserve	\$20.0	\$0.0	\$0.0	\$0.0	\$0.0
Insurance Reserve	\$10.0	\$0.0	\$0.0	\$0.0	\$0.0
Litigation Reserve:					
GEN	\$130.4	\$86.5	\$138.9	\$120.0	\$116.2
PDD	\$27.8	\$28.8	\$21.6	\$21.6	\$21.6
Total Litigation Reserve	\$158.2	\$115.3	\$160.5	\$141.6	\$137.8
Longevity Reserve:					
GEN	\$37.6	\$34.7	\$32.6	\$27.4	\$27.4
PDD	\$29.4	\$27.5	\$23.9	\$22.5	\$22.5
Total Longevity Reserve	\$67.0	\$62.2	\$56.5	\$49.9	\$49.9
Total Litigation Fund**	\$441.4	\$269.4	\$351.0	\$336.3	\$329.2
Technology Fund	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Open Space Fund	\$2.0	\$2.0	\$2.1	\$2.2	\$2.2
Total All Funds	\$652.9	\$546.3	\$752.9	\$735.4	\$730.8

*This fund is consolidated into the General Fund for reporting purposes.

** Some revenues/expenditures reported in the index codes in this fund are consolidated into the General Fund for reporting purposes while others are reported in the Police District Fund.

Source: Nassau Integrated Financial System (NIFS)
2025 YTD through Tuesday, September 30, 2025