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NASSAU COUNTY LEGISLATURE

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Inter-Departmental Memo

To: Hon. Thomas McKevitt, Chairman of the Budget Review Committee
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director
Office of Legislative Budget Review

Date: February 25, 2026

Re: FY 25 Year-End Sales Tax Collections & Economic Update

With the receipt of the sales tax check on February 12, 2026, the County has now received all sales tax collections for Fiscal Year 2025. FY 25 sales tax collections totaled $1,604.3 million and were $24.6 million, or 1.6% higher than FY 24 sales tax collections. The following chart illustrates the gross sales tax receipts for the period ending December 31, 2025, as compared to the same period in 2024 (year-over-year).

2025 Year-End Sales Tax Receipts
(Figures in millions)

	2024	2025	Variance $	Variance %
Gross Sales Tax	$1,579.7	$1,604.3	$24.6	1.6%

Sales tax growth is measured by comparing the year-over-year percentage change in collections, which, as noted above, was 1.6% in FY 25. This total represents gross receipts which are more indicative of economic growth and are prior to any deductions. The actual FY 25 collections compared to the Adopted FY 25 Budget fell short by $13.6 million.

Much of the large period of sustained growth from post-pandemic sales tax receipts has ended and along with it, the fiscal flexibility offered to County finances. Looking forward, the FY 26 Budget contains $1,644.3 million in budgeted sales tax collections (without deferrals), which is $40.0 million more than the total FY 25 collections.

2025 Year-End Sales Tax Receipts vs. 2026 Budget
(Figures in millions)

	2025 YE	2026 Budget	Variance $	Variance %
Gross Sales Tax	$1,604.3	$1,644.3	$40.0	2.5%

To achieve this budgeted level, sales tax collections currently need to grow by 2.5% in FY 26, a rate that appears achievable. The County has received one sales tax advice specifically related to FY 26 sales tax collections as of the date of this memo, and it grew compared to the same period last year. The Electronic Funds Transfer (EFT) portion of the February 5, 2026, payment increased 7.1% year-over-year and represents the electronically filed sales tax payments for purchases made from January 1, 2026, through January 22, 2026.

Economic forecasts project modest GDP (Gross Domestic Product) growth in FY 26. The following chart illustrates that the average national economic growth in FY 26 is anticipated to be 2.2%. Moreover, Moody's GCP (Gross County Product) forecast reflects local economic growth and is expected to be even higher at 2.5%. A 2.5% growth rate would equal the required increase needed to make the budget. Given the updated FY 26 forecast of 2.5% growth is higher than the forecast of 1.6%, which was assumed when the budget was drafted, the current trend indicates that the County is more likely to achieve the budget. Growth rates have been volatile and OLBR will monitor the results as checks are remitted to the County and will update the Legislature as needed.

Current Real US GDP 2026 - 2028 Forecasts

	2026	2027	2028
Fannie Mae	2.4%	2.0%	N/A
Mortgage Bankers Association	1.9%	1.7%	1.8%
Federal Reserve Bank - Phil.	1.8%	2.1%	1.8%
The Conference Board	2.1%	1.8%	2.0%
Wells Fargo	2.7%	2.3%	N/A
Average US GDP Forecast	**2.2%**	**2.0%**	**1.9%**
Moody's GCP Forecast	**2.5%**	**1.4%**	**1.7%**

The table below illustrates Moody's entire economic forecast for Nassau County as of January 2026.

2026 to 2030 Nassau County Economic Forecast Projected Annual Growth Rates*					
	2026	2027	2028	2029	2030
GCP	2.5%	1.4%	1.7%	2.0%	2.1%
Personal Income	3.5%	3.1%	2.8%	3.1%	3.3%
Median Household Income	3.5%	3.1%	2.8%	2.6%	2.8%
Disposable Personal Income	4.0%	3.1%	2.8%	3.0%	3.2%
Employed	-1.0%	-0.5%	-0.1%	-0.1%	0.0%
Unemployed	8.3%	-0.5%	-3.1%	-3.4%	-4.6%
Unemployment %	3.6%	3.6%	3.5%	3.4%	3.3%
Non Farm Jobs	-0.2%	-0.1%	0.0%	0.2%	0.3%
New Mortgages	25.3%	13.6%	4.4%	3.6%	6.4%
Mrt Refinances	-8.1%	40.1%	33.5%	9.9%	-0.5%
Median Home Sale Price	2.5%	1.8%	3.4%	3.4%	3.1%
Retail Sales	1.3%	0.6%	2.0%	1.9%	1.9%
Regional CPI	3.5%	3.3%	2.9%	2.6%	2.6%
*Unemployment % Details Annual Average					

Moody's is forecasting positive local economic growth for Nassau County from FY 26-FY 30. FY 26 growth is expected to remain strong at 2.5% followed by more modest growth rates from FY 27-FY 30. According to the New York State Department of Labor, as of December 2025, the Nassau-Suffolk region had an unemployment rate of 3.2%.[1] Moody's is predicting a modest increase in the local unemployment rate to 3.6% in FY 26.

Nassau County sales tax receipts have showed signs of slowing down, thus raising concerns. However, the 2.5% level of growth needed to make the FY 26 budget appears to be achievable, considering recent economic predictors. Except for the recent retail sales report and slowing job growth, most economic predictors have been relatively strong. Sales tax receipts remain highly uncertain and will need to be closely monitored as any further variation from expectations could still trigger a potential deficit for FY 26.

Retail sales, which are a strong indicator of sales tax growth, were relatively unchanged for the month of December. However, sales increased annually by 3.7% in FY 25 and the advanced reading was lower than what Economists were expecting.[2] The December year-over-year reading is also lower than the 3.9% recorded in FY 24 and significantly lower than the 5.6% rise in FY 23. According to one Economist, consumer spending has finally caught up with consumer sentiment

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[1] New York State Department Of Labor, "State Labor Department Releases Preliminary December 2025 Area Unemployment Rates." January 27, 2026.

[2] The United States Department of Commerce Census Bureau, "Advanced Estimates of U.S. Retail and Food Services." February 10, 2026.

which has been disappointing for months.[3] January's consumer confidence reading was the lowest level since 2014.

While the Federal Reserve has begun to ease monetary policy by lowering the federal funds rate, and inflation has continued to move closer to the stated 2.0% target, concerns remain that ongoing economic uncertainty, including fluctuating trade and tariff policies, could contribute to renewed inflationary pressures. At its January 2026 meeting, following a 0.25% rate reduction in December 2025, the Federal Reserve held interest rates steady and signaled a gradual pace of future reductions.

Current projections anticipate cumulative rate cuts of 0.25% in 2026 and an additional 0.25% in 2027. Although the likelihood of a recession has diminished and inflationary pressures have eased, the Federal Reserve forecasts modest economic growth in 2026, with real GDP projected to increase by 2.3%, slightly below their inflation projection of 2.4% for the same year.[4,5]

To assist policymakers in evaluating trends affecting County revenues, OLBR has prepared the table below, which breaks down County sales tax receipts by spending category for the first three quarters of the past two fiscal years. This analysis is based on data provided by New York State. Data for the fourth quarter of FY 25 is not yet available.

County Sales Tax Receipts excluding 4th Quarter (In thousands)			
Category	**FY 24**	**FY 25**	**% Change**
Accommodation and Food Services	$143,773	$149,861	4.2%
Administrative and Support and Waste Management and Remediation Svcs.	28,907	31,947	10.5%
Agriculture, Forestry, Fishing and Hunting (not covered in economic census)	743	768	3.3%
Arts, Entertainment, and Recreation	19,254	19,550	1.5%
Construction	21,308	21,585	1.3%
Educational Services	596	788	32.2%
Finance and Insurance	7,843	5,840	-25.5%
Health Care and Social Assistance	1,565	1,659	6.0%
Information	51,898	56,260	8.4%
Management of Companies and Enterprises	502	412	-17.9%
Manufacturing	33,527	34,172	1.9%
Mining, Quarrying, and Oil and Gas Extraction	114	116	2.5%
Other Services (except Public Administration)	37,732	36,747	-2.6%
Professional, Scientific, and Technical Services	30,461	33,674	10.6%
Public Administration (not covered in economic census)	22,845	15,524	-32.0%
Real Estate and Rental and Leasing	25,345	21,926	-13.5%
Retail Trade	661,406	663,733	0.4%
Transportation and Warehousing	6,441	6,679	3.7%
Unclassified	2,953	3,293	11.5%
Utilities	24,139	21,965	-9.0%
Wholesale Trade	67,798	68,217	0.6%
Grand Total	**$1,189,150**	**$1,194,717**	**0.5%**

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[3] "Retail Sales unchanged in December from November, closing out year on a lackluster tone", The Associated Press, February 10, 2026.
[4] The Federal Open Market Committee (FOMC), "Summary of Economic Projections," The Federal Reserve, December 10, 2025.
[5] The Federal Open Market Committee, (FOMC), "Federal Reserve Issues FOMC Statement", The Federal Reserve, January 28, 2026.

Conclusion

FY 25 sales tax collections increased by 1.6% compared to the prior year. Achieving the FY 26 budget will require sales tax growth of 2.5%, a rate that is in line with current economic forecasts. Accordingly, according to current economic forecasts, meeting the FY 26 sales tax revenue target appears to be attainable. OLBR will continue to closely monitor sales tax receipts and will keep the Legislature informed of any material changes in trends or expectations that could affect the FY 26 budget and potentially necessitate fiscal adjustments.

Economic Update

Consumption

Gross Domestic Product (GDP) measures the total value of goods and services produced within an economy. Growth in GDP indicates increased production and overall economic expansion. At the county level, this measure is referred to as Gross County Product (GCP).

The U.S. Bureau of Economic Analysis released its advance estimate for the fourth quarter 2025 Gross Domestic Product on February 20, 2026. Real GDP increased at an annual rate of 1.4%, materially below consensus forecasts. According to the Bureau, the federal government shutdown from October 1 through November 12 is estimated to have reduced fourth quarter GDP growth by approximately 1.0 percentage points.[6]

The year-end retail sales figures mirrored this activity, as sales remained unchanged in December from November. Shoppers paused their spending by closing out the holiday season on a lackluster tone, with posted declines in sectors including furniture and home furnishing stores, electronics and appliance retailers.[7] However, the annual reading reflected a positive jump of 3.7% from the prior year.

Disposable Personal Income (DPI) represents the amount of income available to individuals and households for spending or saving after taxes. As such, DPI is a key indicator of consumer purchasing power and underlying economic activity.

Moody's Analytics' current forecast projects a continuation of the positive consumption trends observed in 2025 into 2026. The table below summarizes FY 2025 actual results and FY 26 projected Moody's quarterly and annual forecasts for Nassau County's GCP, DPI, and retail sales.

Nassau County Consumption Indicator Quarterly & Annual Growth					
2025	**Q1**	**Q2**	**Q3**	**Q4**	**2025**
GCP	2.8%	2.8%	2.9%	2.9%	2.9%
Disposable Personal Income	2.5%	3.2%	3.8%	4.1%	3.4%
Retail Sales	3.9%	4.0%	3.8%	3.1%	3.7%
2026	**Q1**	**Q2**	**Q3**	**Q4**	**2026**
GCP*	2.9%	2.7%	2.5%	2.1%	2.5%
Disposable Personal Income*	4.2%	4.1%	3.9%	3.7%	4.0%
Retail Sales*	2.3%	1.5%	0.9%	0.5%	1.3%
Source: Moody's Analytics *Forecast					

[6] US Bureau of Economic Analysis, "Gross Domestic Product, 4th Quarter and Year 2025 Advance Estimate," February 20, 2026.

[7] The Associated Press, "Retail Sales unchanged in December from November, Closing out Year on Lackluster Tone", February 10, 2026.

Labor Market and Employment Conditions

From an annual perspective, non-farm employment growth on Long Island was marginally negative with a loss of 300 jobs over the year, reflecting a moderation from the stronger employment gains observed in prior economic cycles. In contrast to conditions observed during the pre-pandemic expansion, goods-producing sectors and select service industries demonstrated limited or negative employment growth.

Construction employment, which was a significant contributor to job growth in earlier periods, weakened during the most recent year, reflecting a slowdown in activity, higher input and financing costs.[8] Additional employment declines were found in manufacturing, trade, transportation and utilities, information, financial activities, leisure and hospitality, and other services, consistent with broader statewide trends. [9]

Meanwhile, there was a modest increase in private-sector employment over the year, with total private jobs rising by approximately 600 positions, or 0.1 percent. Employment growth continued to be concentrated within a limited number of service-providing sectors, most notably education and health services, which accounted for most net job gains during the period. The professional and business services sector also recorded modest growth.[10]

At the statewide level, total non-farm employment increased by approximately 77,600 jobs, or 0.8 percent, year over year. While this represents continued expansion, growth remained below historical averages and was similarly concentrated in education and health services, professional and business services, and government employment. Multiple sectors posted year-over-year employment declines, underscoring the uneven nature of the current labor market expansion.[11]

Overall, recent labor market conditions suggest that employment growth has slowed and become increasingly sector-dependent, with gains concentrated in non-discretionary service industries and ongoing weakness in goods-producing and finance-related sectors. While headline employment levels remain relatively stable, the lack of broad-based job growth introduces downside risk to revenue assumptions that are sensitive to wage growth, consumer activity, and employment trends.

As a result, near-term economic performance should be interpreted cautiously, and assumptions related to employment-driven revenues should continue to reflect conservative growth expectations. Future labor market performance remains subject to macroeconomic conditions, interest rate dynamics, cost-of-living pressures, and structural workforce trends.

[8] Winzelberg, David, "Long Island Construction Jobs" Long Island Business News. January 21,2026.
[9] New York State Department of Labor, "Long Island Labor Market Briefing" December 2025.
[10] Ibid.
[11] New York State Department of Labor, "New York State Job Trends," January 23, 2026.

Residential Real Estate Market Conditions — Nassau County

According to the most recent data available from the Multiple Listing Service of Long Island (MLSLI), Nassau County's residential real estate market exhibited muted sales activity over the past year. Comparing the Fourth Quarter of 2025 to 2024, closed sales of single-family homes declined 1.6%, while median sale prices remained elevated relative to prior periods, reflecting ongoing affordability constraints and broader economic factors influencing buyer and seller behavior.[12]

Year-over-year, annual closed home sales declined modestly, even as the median closed sale price continued to increase, though at a slower rate. MLSLI data indicate that homes priced near the median are exhibiting greater stability in sales activity compared to higher-priced properties.[13]

For the month of December, the median sales price for a single-family home in Nassau County increased 4.4% to $835,000, compared to December 2024, even as the number of sales slipped. It remains below the record high of $875,000 in August 2025. The data indicates that demand from buyers still exceeds the supply.[14]

Pending sales activity, which serves as a leading indicator of future closings, recorded sporadic gains in recent months; however, the trend has lacked consistency. Inventory levels increased modestly on the national level compared to the prior year, however overall inventory remains significantly constrained by historical standards and varies significantly by price tier on the local level.[15]

Nationally, industry analysts continue to report that market conditions remain strong for homes priced near the median, supported in part by demand from buyers able to secure financing under current credit conditions.[16] In contrast, higher-end and luxury market segments remain more sensitive to changes in interest rates, tax policy, and affordability pressures, with sales activity and pricing trends in those sectors exhibiting greater volatility.[17]

Housing market data does not currently indicate a broad acceleration in closed sales activity, and median price growth, while positive, has moderated from earlier peaks. Pending sales and inventory trends reflect periodic strength, but lack the consistency required to conclusively indicate a durable upswing. These conditions suggest that revenue streams tied to real estate activity (e.g., mortgage recording tax, transfer tax) warrant conservative assumptions.

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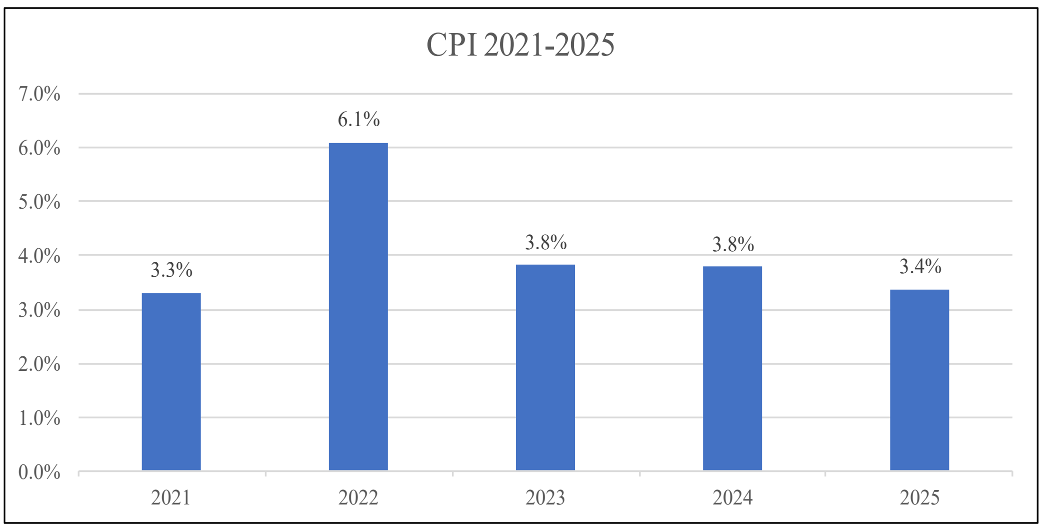
[12] "Nassau County Quarterly Indicators Fourth Quarter 2025" Multiple Listing Service of Long Island (MLSLI), One Key MLS, Fourth Quarter 2025.
[13] Ibid.
[14] Young Celia, "Median Home Prices in Nassau, Suffolk Rose in December as Sales Fall," Newsday, January 19, 2026.
[15]Nassau County Quarterly Indicators Fourth Quarter 2025" Multiple Listing Service of Long Island (MLSLI), One Key MLS, Fourth Quarter 2025.
[16] New York State Association of Realtors (NYSAR), "Annual Report on the New York State Market 2025."
[17] Federal Reserve Board, Housing and Interest Rate Conditions, Federal Reserve Economic Notes, The Federal Reserve.

Commercial Real Estate Market Conditions — Long Island

Recent market reports indicate that Long Island's commercial real estate sector displayed select areas of stability and limited growth during 2025, though conditions varied materially by property type. According to quarterly market analyses, industrial and office markets experienced leasing activity and rent growth in certain submarkets, while overall market fundamentals remained uneven.[18] As stated in industry panel discussions, near-term expectations for broad-based commercial real estate growth remain tempered. Market participants continue to cite financing costs, construction expenses, and evolving space utilization needs as limiting factors, particularly within the office sector. [19]

Prices

The Consumer Price Index (CPI) is a measure of the average change in the prices of goods and services purchased by households over time. U.S. Bureau of Labor Statistics figures show that regional consumer prices were up 3.4% in 2025 from the prior year. Contributing to that increase, there were higher energy and housing costs, which rose 6.1% and 4.8% respectively on an annual basis. Food prices increased 3.1% from the previous year.[20] The chart below shows the CPI for the previous five years.



Looking forward, according to Moody's, from an annual perspective, regional consumer prices are expected to continue to grow albeit at a similar pace of 3.5% in 2026 and a slower pace of 2.6% by 2030.

The first reading for 2026 reported a 2.9% increase in January, which reflects the slowest year-over-year pace since 2024, according to the latest data from the Federal Bureau of Labor Statistics.

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[18] Cushman & Wakefield, "Market Beat: Long Island Office and Industrial Market Reports," 4th Quarter 2025.
[19] Winzelberg, David, "Long Island CRE Panel sees growth, hurdles ahead," Long Island Business News LIBN, June 30, 2025.
[20] US Bureau of Labor Statistics, Northeast Information Office., "Consumer Price Index, New York-Newark-Jersey City — December 2025", January 13, 2026.

The data reflects one month of good news which was mostly driven by energy. Gasoline prices were down 4.7%, as the costs of electricity, natural gas, heating oil, and other home energy climbed 2.7% or half of Decembers rate, the previously mentioned 6.7%.[21] Based on this recent reading it isn't likely to lead the Federal Reserve to lower interest rates.

Economics Conclusion

Taken together, the economic indicators reviewed above point to an environment of continued expansion with increasing moderation and uneven performance across sectors. While measures of consumption, including GCP, Disposable Personal Income, and retail activity remain positive and are expected to continue growing into 2026, the pace of growth is moderating.

Labor market conditions remain relatively stable; however, employment growth has slowed and has become more concentrated within non-discretionary service sectors. The absence of broad-based job gains, coupled with continued weaknesses in goods-producing and finance-related industries, introduces downside risk to revenue streams dependent on wage growth and consumer activity.

Residential real estate market conditions continue to provide price support, particularly for homes priced near the median, but transaction volumes remain constrained, and leading indicators lack sufficient consistency to signal a durable upswing. As a result, revenues tied to real estate activity should be viewed cautiously. Similarly, the commercial real estate market exhibits pockets of stability, but broader conditions remain mixed and subject to ongoing pressures related to financing costs, occupancy trends, and changing space utilization needs.

Finally, elevated consumer price levels, particularly in housing and energy, continue to exert pressure on household budgets, potentially constraining discretionary spending despite gains in household income.

Overall, while Nassau County's economic fundamentals remain generally sound, the current outlook suggests slower, more uneven growth with heightened sensitivity to macroeconomic conditions. Accordingly, near-term financial and budgetary planning assumptions should continue to reflect a measured and conservative approach, with appropriate recognition of downside risks affecting consumption-driven and economically sensitive revenue sources.

If you should have any further questions, please don't hesitate to contact our Office.

cc: Andrew Persich, Budget Director, OMB
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[21] Madore, James T., "Inflation Slowed on Long Island, in NY area in January," Newsday, February 13, 2026.