Nassau County Interim Finance Authority

NIFA

REVIEW AND ANALYSIS OF THE MULTI-YEAR FINANCIAL PLAN UPDATE FISCAL 2026 – 2029

August 7, 2026

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I. SUMMARY OF FINDINGS

On June 30, 2026, the County Executive released his Updated Multi-Year Financial Plan, Fiscal 2026-2029 (the "Update"). The Update contains the County's revised projections for the Multi-Year Financial Plan, Fiscal 2026-2029 (the "Plan" or "Adopted Plan"), the first year of which is the Proposed Budget for Fiscal Year ("FY") 2026 (the "Budget" or "Adopted Budget") and an updated outlook for FYs 2027-2029 (the "Out-Years").

Based on our independent review of the Update and our own year-end projections, we conclude that the County's fiscal outlook for the Major Funds[1] remains a significant concern over the planning horizon. While the County's near-term financial position benefits from a one-time use of reserves held outside the Major Funds, this approach provides only temporary relief and does not resolve the County's underlying structural problems.

As shown in the table below, although reserve levels remain substantial, their declining balances and statutory or policy restrictions limit their ability to address unforeseen fiscal risks. In addition to ongoing economic uncertainty, the County continues to face significant long-term liabilities that will require sustained financial discipline.[2] Therefore, the County should plan wisely to ensure that its reserves remain available to cushion unexpected economic downturns and protect against unforeseen revenue shortfalls or expenditure pressures.[3]

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[1] "Major Funds" are defined as the General Fund, the Police District Fund, the Police Headquarters Fund, the Fire Commission Fund, and the Debt Service Fund. The Major Funds are the only Funds that are part of the NIFA control period calculation, and do not include certain major expenditures, such as the funding of sewer and storm water services and support payments to Nassau Community College.

[2] The County's Annual Comprehensive Financial Report (the "ACFR") for FY 2025 has not been released as of the issuance of this report; hence, we cannot report on the balances of long-term liabilities such as tax certiorari, judgments and settlements and workers' compensation. We expect to issue a limited follow-up report once the ACFR is available.

[3] In addition to following its Fund Balance and Reserves Policy and the Office of the New York State (the "State") Comptroller's recommendations, we encourage the County to maintain awareness of best practices and emerging trends with respect to the funding and use of reserves. See, for example, the New York City Comptroller's April 9, 2026 report, "Strengthening the City's Rainy Day Fund," and its May 21, 2026 report, "AI and New York City's Fiscal Future, Planning Scenarios for an Uncertain Economy."

Reserves

Fund	Balance Available as of 12/31/2024 (in millions)	Balance Available as of 12/31/2025 (in millions)	Balance Available as of 6/30/2026 (in millions)
Litigation Fund	$351.2	$267.6	$237.7
Operating Reserve Fund	137.0	137.0	138.8
Employee Benefit Accrued Liability Reserve Fund	86.1	89.2	90.2
Bonded Indebtedness Reserve Fund	80.6	64.7	65.6
Retirement Contribution Reserve Fund (General Fund)	86.0	89.2	90.3
Capital Reserve Fund	10.0	10.3	10.3
Total Reserves	**$750.9**	**$657.9**	**$632.9**
Opioid Litigation Settlement Fund	$88.6	$79.9	$72.1
Total Reserves and Opioid Litigation Settlement Fund	**$839.5**	**$737.9**	**$705.0**

* Amounts may not add due to rounding

As seen in the table below, our analysis identifies a range of fiscal risks for FY 2026 and the Out-Years, presented through both high- and low-case scenarios. Both scenarios assume the County will use reserves to fund operating costs each year. Under these scenarios, the FY 2029 risks are nearly seven or five times the one percent deficit threshold that would require the declaration of a control period.[4]

(in millions)	FY 2026	FY 2027	FY 2028	FY 2029
High Scenario	(75.2)	(197.9)	(195.5)	(265.9)
Low Scenario	(45.1)	(159.3)	(147.7)	(205.3)
Budgeted Reserves *	35.0	35.0	35.0	35.0
Transfer of VSIP Costs *	81.0	0.0	0.0	0.0

* Assumptions include the use of budgeted reserves and transfer of Voluntary Separation Incentive Program ("VSIP") costs to appropriated reserves.

We note that the County has included a $10.0 million contingency in FY 2027 and FY 2028, which declines to $3.5 million in FY 2029, to account for labor cost increases resulting from new collective bargaining agreements for unions whose contracts expired on June 30, 2026. The Civil Service Employees Association ("CSEA") is the only union with a current contract, which is set to expire December 31, 2030.

Although the projected deficits remain concerning, they are slightly smaller than we estimated in October 2025 for each year of the Plan due to a combination of favorable and unfavorable changes in our projections.

Favorable changes:

[4] The one percent deficit threshold is $36.58 million in FY 2026 (1% of $3.658 billion) and $38.24 million in FY 2029 (1% of $3.824 billion)

- transfer of budgeted operating costs to reserves;
- higher-than-assumed federal and State aid; and
- higher-than-assumed salary savings from vacancies.

Unfavorable changes:

- higher-than-assumed costs for overtime;
- lower-than assumed revenue from fines;
- higher-than-assumed spending on Early Intervention/ Preschool Special Education; and
- higher-than-assumed spending on social services programs.

* * *

Additional analysis of the Update follows: Section II discusses FY 2026 and Section III discusses the Out-Years. To fully understand NIFA's opinions regarding the County's financial position, this report should be read in tandem with NIFA's October 24, 2025 report on the Proposed Multi-Year Financial Plan, Fiscal 2026-2029, which can be found on the NIFA website at https://nifa.ny.gov/financial-plan-reports.

II. DISCUSSION OF FY 2026

Our analysis indicates risks of between $45.1 million and $75.2 million in the Major Funds in the Adopted Budget, which totals $3.7 billion excluding interdepartmental transfers. The major risks and opportunities are discussed briefly below. Even if all the identified risks for FY 2026 are mitigated, the Update contains significant risks for FY 2027, FY 2028, and FY 2029, which we discuss in Section III.

Major Risks and Opportunities

Revenues

Sales Tax – Sales tax remains Nassau County's largest single source of revenue and continues to be the primary driver of the County's financial position. The Adopted Budget includes approximately $1.6 billion in sales tax revenue, representing approximately 44.9% of total Major Funds revenue.

The Update maintains FY 2026 sales tax projections at the Adopted Budget level and assumes growth of 2.50% in FY 2027, 2.25% in FY 2028; and 2.75% in FY 2029. As discussed in our October 2025 report, the County's increasing reliance on sales tax warrants continued caution. Because sales tax is highly sensitive to economic conditions, a greater dependence on this revenue stream increases the County's fiscal risk should economic growth slow or consumer spending weaken. The table below shows the County's sales tax projections for FY 2026-FY 2029 as a percentage of projected revenues.

	FY 2026 May Projections	FY 2027 Plan Update	FY 2028 Plan Update	FY 2029 Plan Update
Total Projected Revenues *	$3,658.2	$3,722.6	$3,762.0	$3,824.3
Projected Sales Tax	1,644.3	1,693.4	1,731.5	1,779.1
% of Revenues	**44.9%**	**45.5%**	**46.0%**	**46.5%**

*Projected Revenues exclude Interdepartmental / Sales Tax Transfers and Interfund Transfers from Non-Major Funds (Reserves)

However, according to the County's most recent monthly budget report, issued on July 21, 2026, sales tax collections are now projected to exceed the Budget by approximately $8.0 million.

NIFA's projections in the table below contemplate two scenarios based on the compound growth average for the last three years (the more conservative approach) and five years, applied to the remainder of FY 2026.

Time Frame	Compound Growth Rate	FY 2026 Adopted	FY 2026 NIFA Projections	Projected Surplus
5 year	2.35%	$1,644,284,947	$1,659,442,258	$15,157,311
3 year	1.56	1,644,284,947	1,652,292,762	8,007,815

Economic Indicators

Recent economic indicators present a mixed but generally stable outlook. The Consumer Price Index (CPI-U) for the New York–Newark–Jersey City metropolitan area declined 0.2% in June 2026 from the prior month. However, prices remained 4.1% higher than June 2025, demonstrating that inflation continues to exceed the Federal Reserve's long-term target of 2.0%. Energy prices provided some relief to consumers, with gasoline prices declining 7.4% during June and the overall energy index falling 2.1% from the prior month. Although energy costs remain significantly above year-ago levels, the recent decline should modestly support consumer purchasing power during the second half of the year. Moreover, according to the U.S. Department of Energy, in March 2026, the 32 member nations of the International Energy Agency agreed to lower energy prices with a coordinated release of 400 million barrels of oil and refined products from their reserves. Once the release is complete, however, higher energy prices are expected.

The national economy also continues to expand, although at a more moderate pace. Gross domestic product increased at an annualized rate of 1.5% during the second quarter of 2026, reflecting continued economic growth despite elevated interest rates and persistent inflationary pressures.

Recently, national consumer sentiment has improved meaningfully. According to the University of Michigan Surveys of Consumers, sentiment increased approximately 10% in June 2026 compared with May 2026, as expectations for inflation, gasoline prices, business conditions, and personal finances improved. Similar recent results were seen regionally in the Siena Research Institute's Index of Metro New York City Consumer Sentiment which increased compared to the prior quarter (but which was down compared to the prior year). Continued improvement in consumer confidence, together with resilient employment conditions, should help support taxable consumer spending. Nevertheless, inflation remains above the Federal Reserve's target, and continued uncertainty regarding monetary policy and broader economic conditions warrants a prudent approach when projecting future sales tax revenues.

Federal and State Aid - Our analysis of federal and State aid indicates that there is an opportunity for both categories since the related costs for Social Services programs (federal aid) and Early Intervention and Preschool Services (State aid) are projected higher than the County's assumption.

According to the New York State Association of Counties ("NYSAC"), beginning October 1, 2026, the One Big Beautiful Bill Act will reduce the federal share of the Supplemental Nutrition Assistance Program ("SNAP") administrative costs from 50% to 25%. In New York State, this change is expected to shift approximately $168.0 million in additional annual costs to counties and New York City. Since the change will take effect during the last quarter of FY 2026, the full impact on the County remains uncertain and represents a potential risk to the County's projections.

Departmental Revenues – The Adopted Budget includes $223.3 million in departmental revenues. We have identified the following risks in this category based on historical trends contained in the table below.

(in millions)	FY 2023		FY 2024		FY 2025		FY 2026	
Fee Description	Adopted Budget	YE Results	Adopted Budget	YE Results	Adopted Budget	Unaudited YE Results	Adopted Budget	NIFA Projection
Ambulance Fees Collection*	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$11.5	$7.0
Revenue from Income and Expense Law	5.0	0.0	5.0	0.0	5.0	0.0	10.0	0.0

*Revenue appropriated in Police Headquarters Fund only

- *Ambulance Fees Collection:* The County has lowered its projection for this revenue to $8.5 million in its June 2026 projections (from $11.5 million budgeted), which is closer to NIFA's $7.0 million projection.

- *Income and Expense Law:* We are placing at risk the entire $10.0 million for FY 2026, as this initiative was proposed several years ago, and included in prior budgets, but suspended due to ongoing litigation.

Fines and Forfeitures – The Adopted Budget includes $79.7 million in anticipated revenues from fines and forfeitures. While the County projects that these revenues will be fully realized, current and historical trends suggest otherwise.

The revenue categories that appeared to be overstated include:

- *Fines* related to tickets issued by the Police Department and collected by the Traffic and Parking Violations Agency;

- *Red-Light Cameras*-related fees. In addition to current and historical trends, we are skeptical the County can achieve the budgeted amount because the number of cameras has not increased, and behavioral changes over time generally result in fewer violations and, consequently fewer fines; and

- *Administrative Fees* related to tickets issued by the Police Department is being risked because these revenues have historically fallen short of the budgeted amounts.

The ticket reconciliation program, which requires County Legislative approval and is intended to collect unpaid tickets and notices of liability, is also being risked because it has not yet been implemented and there is no evidence that collections have begun. FY 2025 was the first year this initiative had been included in the budget.

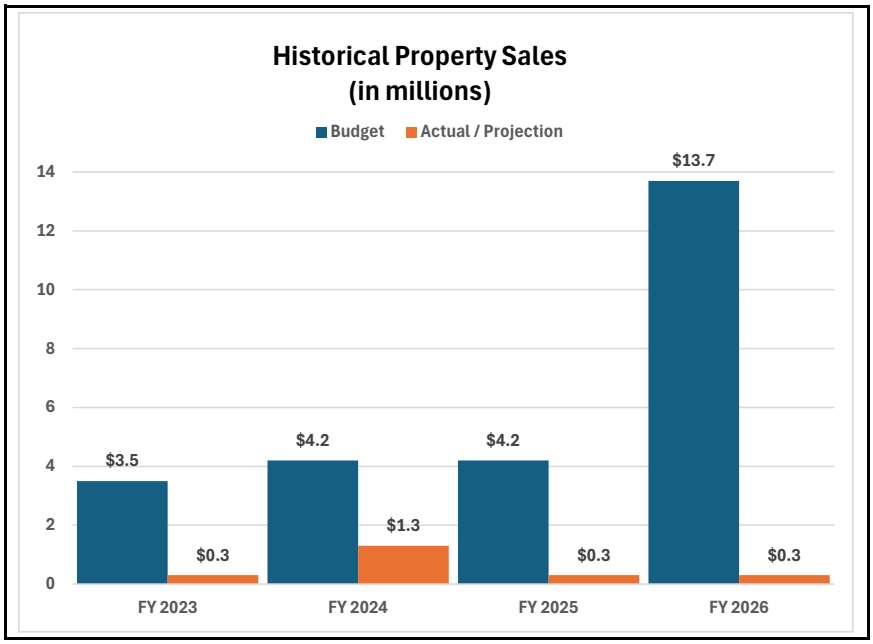
Investment Income – On July 29, 2026, the Federal Open Market Committee ("FOMC") voted to keep interest rates unchanged, maintaining the federal funds target range between 3.5% and 3.75%. While rates remain steady, some Federal Reserve officials continue to express concern that inflation has remained above the 2% target for an extended period. We will continue to monitor FOMC decision-making and adjust our projections, if necessary.

In addition to rates, investment income also depends on the amount of cash available to the County. Based on our review, the County's overall cash balances appear to be lower, which could

result in lower earnings than previously projected. Unfortunately, the County no longer publishes its cash position reports, including cash flow projections, despite being mandated to do so by County Charter §311. We encourage the County to follow the law and produce the reports as required in the interest of transparency.

Rents and Recoveries – The Adopted Budget includes $57.5 million in rents and recoveries. This category of revenue includes the sale of County property, rental income from tenants occupying County facilities and recoveries associated with the settlement of claims brought by the County. We have identified risks in the following areas:

- *Sale of County Property:* Included in the $57.5 million is a $13.7 million "one shot" that the County expects to realize from the sale of County property in FY 2026. We have been given little information about progress in this area and note that there have been years when anticipated transactions closed later than expected (or not at all) and budgeted revenues fell short, as illustrated in the chart below. We expect FY 2026 collections from this revenue source to be $0.3 million. While the County Legislature has authorized the sale of the County's property known as District 600 (the 4H camp) for $10.0 million, certain contingencies accompany the sale which create doubt whether it will be completed by the end of the year.



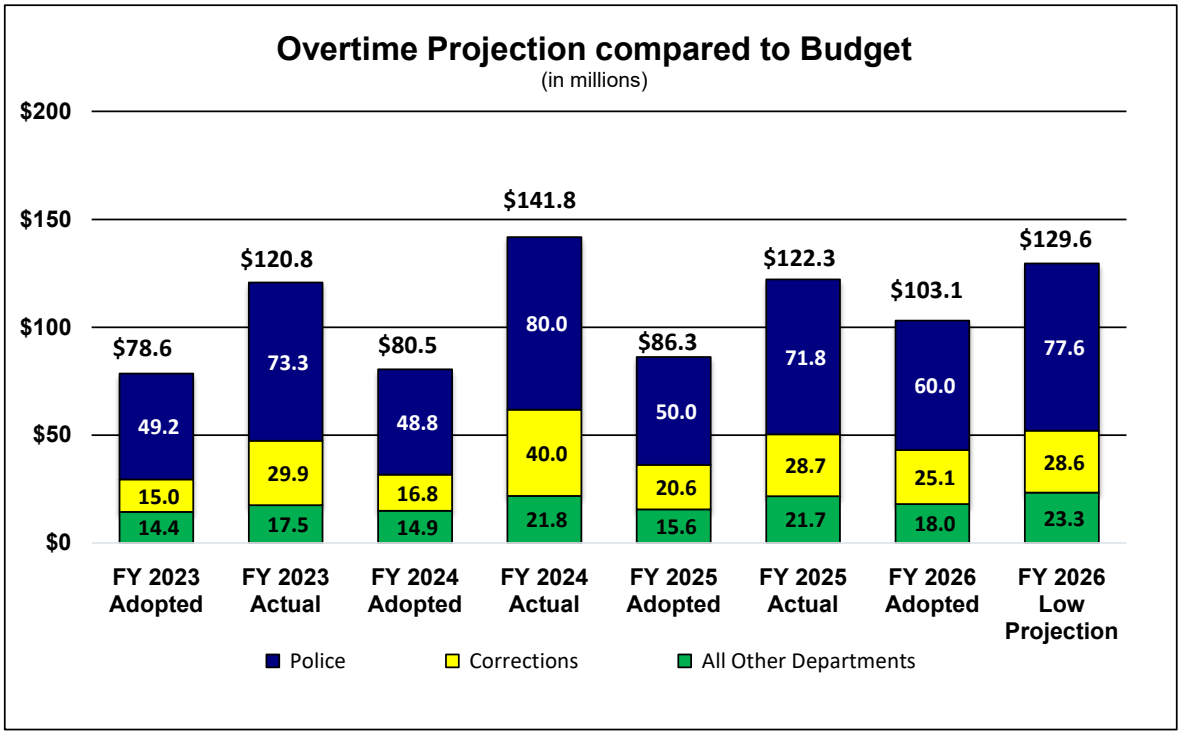
- *Other rents and recoveries:* Other rents and recoveries are budgeted at $32.8 million; we project collections of $21.8 million. These revenue sources include: reimbursement for Workers' Compensation expenses paid by the County to certain employees; cash recoveries from County claims for damaged properties; and, rents collected for use of County property.

Capital Resources for Debt – Our analysis indicates a projected shortfall of $17.2 million. The shortage comprises resources from capital project closeouts in which unused bond proceeds are used to pay debt service (an operating expense) and are therefore not recognized under the control period calculation.

Expenditures

Salaries and Wages – Our analysis indicates that expenditures on salaries and wages could be $65.6 million higher than the Adopted Budget. Although savings for budgeted vacant positions has increased as employees participating in the VSIP left County service on March 5, 2026 unless deferred, full-time vacancy savings are being offset by higher termination costs related to the incentive program, higher-than-expected overtime, and higher-than-budgeted holiday pay and differential pay.[5] The County has not indicated how much of the termination costs related to the incentive will be transferred to reserves.

- *Overtime:* The Police Department is projected to record the largest overtime expense, from a low of $77.6 million, as seen in the chart below, to a high of $92.2 million.



*Amounts may not add due to rounding

The Correctional Center is projected to have the second largest overtime expense, from a low of $28.6 million, as seen in the prior chart, to a high of $32.9 million. Overtime spending at

[5] Data provided to NIFA indicates that the exit date for 88 employees was deferred to later in 2026 or through March 5, 2027.

the Correctional Center has exceeded the adopted budget each year since FY 2016, even though the average census of inmates has declined.

- *Headcount/Vacancies*: The Adopted Budget contains 7,585 full-time positions after accounting for the unallocated attrition factor of 312 positions (valued at $10.0 million). We consider the practice of centralizing the attrition factor (312 positions) misleading since it results in an inaccurate picture of each department's authorization to hire.

  The number of vacant positions as of June 30, 2026 is 544 compared to the Adopted Budget. The five departments with the highest number of budgeted vacancies in FY 2026 are the Sheriff/Correctional Center, the Police Department, Social Services, the Department of Public Works and the Department of Assessment, as shown in the table below. Historically, budgeted but unfilled vacancies have contributed to the surpluses achieved by the County.

Departments	FY 2026 Adopted	On Board as of 6-30-2026	2026 Vacancies
NC Sheriff/Correctional Center	943	784	159
Police Department	3,458	3,302	156
Social Services	596	476	120
Public Works Department	419	344	75
Assessment Department	160	92	68
Parks, Recreation and Museums	150	109	41
Health Department	283	246	37
Board of Elections	160	124	36
Fire Commission	128	104	24
County Comptroller	102	81	21
Probation	222	202	20
District Attorney	449	441	8
Information Technology	122	115	7
All Other Departments	705	621	84
Total headcount before attrition factor	**7,897**	**7,041**	**856**
Attrition factor budgeted centrally	(312)		(312)
Total budgeted headcount	**7,585**	**7,041**	**544**

Fringe Benefits – Our analysis indicates an opportunity in fringe benefits, driven primarily by projected savings associated with the County's portion of Social Security contributions, offset slightly by costs related to health insurance benefits.

- *Social Security contributions:* We project that the Adopted Budget overestimates the County's required Social Security contributions.

- *Health Insurance:* Our analysis shows that health insurance costs for retirees are underestimated. The impact of the VSIP was not known when the Budget was adopted. The results of the VSIP altered the split between active employees and retirees and resulted in underestimated retiree health insurance costs.

Debt Service – Our analysis indicates savings in debt service expenditures. The County defeased debt at the end of FY 2025 that had been scheduled to be paid in FY 2026. Savings results from the County no longer having to pay the budgeted debt service in FY 2026.

Early Intervention/Pre-School Special Education – The Early Intervention program provides services to children under the age of three with developmental delays and disabilities. Pre-School Special Education serves children between the ages of three and five by providing educational and supportive services. Both programs are administered by the County's Department of Health.

The Adopted Budget includes $209.8 million for these programs. Based on the projections included in the Update, expenditures are expected to remain within budget. However, the County's most recent monthly report increased projected costs of these programs by $9.0 million. Based on historical spending patterns, current expenditure trends, and the recent increase in transportation rates, we project a potential risk of $25.4 million. While a portion of this risk is expected to be offset by corresponding State Aid reimbursements, as discussed in the Federal and State Aid section, the County should continue to closely monitor these programs throughout the remainder of the fiscal year.

Social Services Programs – We have identified risks in the Update in certain Social Services programs. As with Early Intervention/Pre-School Special Education Services, the County has increased its projections for these programs in the recent monthly report. Our analysis projects a shortfall of approximately $34.6 million in Purchased Services and Emergency Vendor Payments, partially offset by $2.0 million in savings in Recipient Grants. The increase in costs is due to higher caseloads in Temporary Assistance for Needy Families and Safety Net Assistance.

While a portion of this risk is expected to be offset by corresponding federal aid reimbursements, as discussed in the Federal and State Aid section, the County should continue to closely monitor these programs throughout the remainder of the fiscal year.

Other Concerns

Nassau Health Care Corporation - A description of recent legislative amendments reforming the governance and administration of the Nassau Health Care Corporation ("NHCC") and strengthening NIFA's oversight over NHCC is included in NIFA's August 7, 2025 report on the Multi-Year Financial Plan Update, Fiscal 2025-2028. The new NHCC board and management deserve credit for their ongoing efforts to stabilize and reform NHCC. Notwithstanding constructive legislative changes and board and management actions, the financial health of NHCC and its potential impact on the County, including but not limited to Correctional Center health care services, continues to be a major source of concern for NIFA.

Unaudited financial statements dated December 31, 2025, state that NHCC continues to suffer operating losses, a working capital deficit and has a total unaudited negative net position of approximately $1.5 billion at December 31, 2025. This is before a recently discovered unrecorded medical malpractice liability of approximately $110 million resulting from active lawsuits against NHCC and managed by NHCC's self-insurance subsidiary. NHCC is also dependent on the continuation of federal, State and local subsidies, certain of which have or are scheduled to end or be

reduced. Further, NHCC's collective bargaining agreement with the CSEA expired at the end of 2022. Consequently, any future agreement will likely result in increased labor costs.

NHCC adopted a budget for 2026 that anticipated an operating deficit of $150.1 million. The deficit assumed $8.4 million of federal and State aid. It has, however, received $65.0 million of such funding through June 2026 and an additional $19.4 million of emergency funding in July 2026. We have been informed that the FY 2026 Medicaid disproportionate share hospital revenue for NHCC is expected to total $77.6 million, of which the federal share would amount to $38.8 million (*i.e.*, net to NHCC, assuming the arrangement between the County and NHCC continues for the non-federal share), prior to any offsetting reconciliations of prior-year activities. We are aware that the County is currently unwilling to sign off on the transfer of these critical funds by not providing documentation to the State (as it did last year); we hope that any further delay does not impact the short-term stability of NHCC and its ability to provide vital services to County residents.

Consequently, we are concerned that NHCC will incur another significant deficit in FY 2026 despite the increase in federal and State support. Based on current trends, NHCC could incur a deficit of approximately $50.0 million. Most worrisome is that NHCC has reported a cash balance of approximately $18.6 million as of August 5, 2026, which is down from the $34.8 million balance reported at year-end 2025. Although cashflow fluctuates on any given day due to, among many factors, the timing of revenue collections, payroll runs, and payments to its vendors, NHCC's daily operating expense burn rate is approximately $1.9 million. Stated directly, NHCC's cash balance is perilously low.

The downward trend is particularly noteworthy because, among other payables, NHCC's outstanding liability owed to the New York State Health Insurance Program for coverage of its employees and retirees totals approximately $488.4 million (at August 4, 2026), which it has so far kept constant from the beginning of FY 2026 by paying each month's current premiums. The liability would have been $60.0 million higher if not for a grant from the New York State Department of Health applied against the outstanding balance in FY 2023. In addition, as of August 4, 2026, NHCC still owes approximately $16.7 million to the New York State & Local Retirement System for employer contribution balances it owed on February 1, 2026, but which are being amortized under a payment agreement reached with the Office of the State Comptroller.

The circumstances are troubling for the obvious reason that the County has a direct-pay guarantee on NHCC's outstanding debt, which currently totals $57.3 million (including remaining principal and interest) after making the debt service payment due August 1, 2026.

The County also contracts with NHCC to provide medical, mental health, dental, and ancillary services to inmates incarcerated at the Correctional Center and services for individuals needing inpatient and outpatient treatment for chemical dependency. Consequently, the County may need to secure alternatives to NHCC for the provision of these services, at possibly a greater cost, should NHCC reach a point that it is unable to deliver them.

Reserve Funds – As of June 30, 2026, the County has $632.9 million held in several reserves earmarked for specific purposes. These reserves are available to fund certain future County obligations, without negatively impacting the control period calculation. It is not clear how much of

the VSIP-related costs will be transferred to the various reserves. Our assumptions include the use of approximately $114.0 million in various reserves to mitigate costs of the incentive.

Fund	Balance Available as of 12/31/2024 (in millions)	Balance Available as of 12/31/2025 (in millions)	Balance Available as of 6/30/2026 (in millions)
Litigation Fund			
Non-Certiorari Judgments	$139.0	$87.4	$53.6
Workers' Compensation	13.7	10.1	10.1
Longevity Payments - non-Police District	32.6	27.3	21.2
Non-Certiorari Judgments - Police District	21.6	17.8	13.8
Longevity Payments - Police District	23.9	20.4	18.4
Tax Certiorari	120.3	103.1	118.9
Juul Settlement Proceeds	0.0	1.6	1.6
Total Litigation Fund	**$351.2**	**$267.6**	**$237.7**
Operating Reserve Fund			
Health Insurance Reserve	$93.4	$93.4	$95.3
Labor Reserve	33.5	33.5	33.5
Insurance Reserve	10.0	10.0	10.0
Total Operating Reserve Fund	**$137.0**	**$137.0**	**$138.8**
Employee Benefit Accrued Liability Reserve Fund			
General Fund	$54.0	$66.6	$66.6
Police District Fund	31.1	21.9	22.9
Majority and Minority Reserve	1.0	0.8	0.8
Total Employee Benefit Accrued Liability Reserve Fund	**$86.1**	**$89.2**	**$90.2**
Bonded Indebtedness Reserve Fund	$80.6	$64.7	$65.6
Retirement Contribution Reserve Fund (General Fund)	$86.0	$89.2	$90.3
Capital Reserve Fund	$10.0	$10.3	$10.3
Total Reserves	**$750.9**	**$657.9**	**$632.9**
Opioid Litigation Settlement Fund	$88.6	$79.9	$72.1
Total Reserves and Opioid Litigation Settlement Fund	**$839.5**	**$737.9**	**$705.0**

* Amounts may not add due to rounding

As a rule, the County should not use its reserve funds to pay routine expenses, but rather as a backstop to fund extraordinary or unexpected expenditures. Certain appropriations, such as for tax certiorari expenses[6], exceed historical and anticipated spending amounts. The County should clarify when it expects to use the various appropriations in the reserves. In addition, the County should continue funding reserves that would help mitigate extraordinary liabilities.

A description of the reserve funds is included in the Appendix.

[6] When combined with General Fund and Disputed Assessment Fund appropriations.

Opioid Litigation Settlement Fund – The County has received funding as a consequence of the settlements of certain legal action(s) initiated against manufacturers, distributors and pharmacies that were involved in the marketing, selling and/or distribution of opioids in the County. As of June 30, 2026, there was $72.1 million in the Opioid Litigation Settlement Fund. As directed by the County Legislature, these funds are earmarked for the treatment and prevention of opioid addiction and family support. The Adopted Budget includes $15.5 million in appropriations to enhance opioid treatment and prevention programs.

III. THE OUT-YEARS: FY 2027 – FY 2029

This section discusses the Out-Years (FY 2027 – FY 2029) of the Plan.

The County's Out-Year Projections

The County projects Out-Year surpluses of approximately $1.2 million in FY 2027, $2.6 million in FY 2028, and $1.5 million in FY 2029. Our analysis demonstrates that the County's projections are too optimistic.

As shown in the table below, NIFA is projecting a range of risks in FY 2027, FY 2028, and FY 2029 that far exceed the one percent deficit threshold that would require imposition of a control period, even after including the County's planned use of reserves to pay operating costs in each of those years.

Projected Out-Year Risks

(in millions)	FY 2027	FY 2028	FY 2029
County Estimate of Surplus	**$1.2**	**$2.6**	**$1.5**
NIFA Estimate of Risks (high scenario)	**(197.9)**	**(195.5)**	**(265.9)**
NIFA Estimate of Risks (low scenario)	**(159.3)**	**(147.7)**	**(205.3)**

We recognize that, to account for the additional labor costs that are likely to result from the next round of collective bargaining with unions whose contracts expired on June 30, 2026[7], the County has included a $10.0 million contingency reserve in FY 2027 and in FY 2028. However, in FY 2029, the contingency declines to $3.5 million. The successor agreements for these unions are not expected to be cost-neutral based on the existing pattern established by the County in the CSEA agreement, which expires December 31, 2030. We believe the $10.0 million contingency is a reasonable starting point; however, after FY 2027, this reserve should be increased as future labor cost increases are expected to compound over time. As such, the $3.5 million contingency included in FY 2029 likely will not provide sufficient funding for the additional labor costs.

[7] County contracts with the Detectives Association, Inc., the Superior Officers Association, the Police Benevolent Association, Inc., the Sheriff's Correction Officers Benevolent Association, Inc., and the District Attorney Investigators Police Benevolent Association expired June 30, 2026. The County's contract with CSEA expires December 31, 2030.

Major Risks in the Out-Years

Revenues

- **Departmental Revenues** – Departmental revenues are overestimated, including from the GIS Tax Map Verification Fee, Ambulance Fees Collections and from the Income and Expense Law;

- **Fines and Forfeitures** – Revenues from fines and forfeitures are at risk. The risk is composed of revenues related to fines from tickets issued by the Police Department, its red-light cameras program, and proposed initiatives that have not commenced, such as its proposed ticket reconciliation program;

- **Investment Income** – Investment income is overestimated, mainly due to lower available cash balances;

- **Rents and Recoveries** – There is uncertain revenue from the annual sale of County property ($10.0 million in each of the Out-Years) and the reversal of prior-year encumbrances;

- **Capital Resources for Debt** – We exclude proceeds from cash recoveries from capital project closeouts since these resources would be used to pay debt service (an operating expense) and therefore excluded under the control period calculation; and

- **Permits and Licenses** – The County includes an initiative for overweight vehicle registration valued at $5.0 million in each of the Out-Years. This initiative would require legislative approval, and the County has not provided any documentation to support its assumptions.

Expenditures

- **Salaries and Wages/Fringe Benefits** – Our analysis projects that salaries and wages and fringe benefits are underestimated in FY 2027, FY 2028 and FY 2029; and

- **Early Intervention and Pre-School Special Education programs** – There are underestimated costs related to the Early Intervention and Pre-School Special Education programs. NIFA's projections calculate higher costs which go in hand with the increased trend in caseloads. The current State reimbursement rates related to costs associated with these programs are 49.0% and 59.5%, respectively.

Other Concerns

Sales Tax Revenue - Sale**s** tax revenue has been strong during the first six months of FY 2026. The County's assumptions appear reasonable when comparing year-to-date receipts in FY 2026 against the same period in FY 2025. However, besides current economic factors, sales tax receipts can also be affected by certain adjustments, including prior-period corrections and late filing adjustments made by the State Department of Taxation and Finance to correct earlier sales tax distributions.

Although the economy continues to show resilience, despite inflation and increased gas prices due to the ongoing conflict in the Middle East, there are concerns that consumers may be spending beyond their means. Recent data shows that the personal saving rate has fallen to 2.6%, its lowest level since the 2008 financial crisis. This might indicate that consumers are increasingly relying on savings or credit to maintain current spending levels.[8]

Since sales tax is the County's largest source of revenue, a slowdown in consumer spending could result in lower sales tax collections and have a significant impact on the County's finances in the Out-Years.

Pension Contributions – The Update reflects the County's assumption that its contribution rates to both the Employees' Retirement System ("ERS") and the Police and Fire Retirement System ("PFRS") are expected to increase as per an announcement made by the State Comptroller. The County assumes ERS costs to increase 20.2% in 2027, 18.5% in 2028 and 17.8% in 2029. The County assumes PFRS costs to increase 36.6% in 2027, 32.7% in 2028 and 30.0% in 2029.

We acknowledge that, as of June 30, 2026, the County has $90.3 million available in its Retirement Contribution Reserve Fund and has appropriated $75.0 million of resources in FY 2026, leaving $15.3 million that can be used to pay for a portion of its retirement system obligation in future years.

The County's pension contributions costs are expected to increase as a result of changes to ERS and PFRS included in the 2026-2027 State budget.[9] According to the State Comptroller's Office, these include:

- Reduced Tier 6 member contribution rates, effective October 1, 2026;
- Increased statutory overtime caps;
- Expanded overtime inclusion for first responders; and
- The exclusion of overtime pay from the calculation of Tier 6 contribution rates through March 31, 2028.

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[8] The Economist, "How stretched is the American Consumer?", June 21, 2026.

[9] Our inflation adjustments for certain expenditures in the Plan, including pensions, are included in Appendix B to our October 24, 2025 report referenced in Section I.

Social Services Costs – Changes in public assistance caseload and expenditures can be difficult to predict. Demand for public assistance is closely related to the economic climate because recipient grant demand usually increases when there is an economic downturn. Unfortunately, there is typically a lag time between 12 and 36 months before changes in demand – in either direction – become apparent.

While predicting a turning point in the near-term direction of public assistance caseload may seem speculative, it is reasonable to assume that the County will incur increased social services costs during the period of the Plan should there be a prolonged downturn in the economy. Therefore, the County must closely monitor public assistance caseloads and costs and continually revise its forecasting model.

As noted in Section II, according to NYSAC, beginning October 1, 2026, the One Big Beautiful Bill Act will reduce the federal share of SNAP administrative costs from 50% to 25%. In New York State, this change is expected to shift approximately $168.0 million in additional annual costs to counties and New York City. Since the change will take effect during the last quarter of FY 2026, the full impact on the County remains uncertain and represents a potential risk to the County's projections.

Judgments and Settlements – We are unable to report on the sufficiency of the County's projections for non-certiorari judgments and settlements because of the delay in the release of the ACFR (which will contain the County's updated liability estimates for these expenditures).

Property Tax Certiorari – We are not unable to report on the sufficiency of the County's projections for property tax certiorari expenses because of the delay in the release of the ACFR (which will contain the County's updated liability estimates for these costs).

Reserve Funds – As discussed previously, the County currently has various reserves available to fund different purposes. The County has not, however, disclosed how much of the associated VSIP cost would be transferred to such reserves. Relatedly, we have consistently emphasized that the County is well aware that generally accepted accounting principles ("GAAP") do not treat fund balance as revenue. Consequently, fund balance cannot be used to match expenditures or offset shortfalls in the operating budget.

Covered Organizations – The NIFA act requires the County to include covered organizations in the Plan. Our analyses of NHCC and Nassau Community College ("NCC"), each a covered organization under the NIFA act, are set forth below.

- <u>*Nassau Health Care Corporation*</u>: NHCC has not submitted an update to its multi-year financial plan for FY 2026-2029 submitted to the County on October 1, 2025 for inclusion in the Update. Thus, there are no updated projections for NHCC in the Update upon which are able to comment. The County and NHCC should improve their communication and processes to ensure that NHCC's financial information is included in County financial plans.

Of note, NHCC has engaged Huron Consulting Services LLC to prepare a report including a study on the modernization and revitalization of the Nassau University Medical Center ("NUMC") and the A. Holly Patterson Extended Care Facility that is due to NIFA no later than December 1, 2026, as required by State law. The report is also expected to provide an assessment of NHCC's community-based ambulatory services centers. NIFA looks forward to the receipt of the report and its recommendations.

- *Nassau Community College*: Although NCC is a covered organization under the NIFA act, the County's financial support is primarily limited to supporting a portion of NCC's operating expenses (through the levy of a property tax) and to sharing NCC's capital costs with the State.

The Update includes NCC's FY 2026 budget which contains projected GAAP deficits of $5.4 million in FY 2026, $8.8 million in FY 2027, $11.5 million in FY 2028, and $15.2 million in FY 2029.[10] NCC plans to mask deficits in FY 2026 and FY 2027 by appropriating its remaining fund balance to bridge the difference between projections of operating revenues and expenditures, as reflected in the chart below.[11] NCC's projections for FY 2028 and FY 2029 show increasing deficits, which occur after its fund balance is completely depleted in FY 2028.

(in millions)	FY 2024 Year End Results	FY 2025 Projection	FY 2026 Adopted	FY 2027	FY 2028	FY 2029
Beginning Fund Balance	$28,879	$17,643	$14,965	$9,575	$817	($10,696)
Appropriation to Balance Budget	(11,236)	(2,678)	(5,390)	(8,758)	(11,513)	(15,220)
Enidng Fund Balance	**$17,643**	**$14,965**	**$9,575**	**$817**	**($10,696)**	**($25,916)**

NCC has adopted a policy to "set unreserved, unrestricted fund balance at a minimum level of 4% of the prior year's operating budget." This policy is less than the 5–15% recommended by government/municipal/SUNY guidelines. Only FY 2026 follows such policy. NCC will need drastic changes in its recurring revenues and/or management of its expenditures to maintain the viability of its operations.

The three major revenue sources that support NCC's budget are: tuition and fees, which is projected to grow at a constant 3% year to year; and State aid and property taxes, which remain flat throughout the Out-Years. Tuition is expected to increase by $190.

Salaries and benefits constitute approximately 86% of total expenditures and are projected to grow by 3% annually. Other than Personal Services costs, which include Equipment, General Expenses, Contractual Services, and Utilities,

[10] On June 29, 2026, the County Legislature approved NCC'S FY 2027 Budget which runs from September 1, 2026 through August 31, 2027.

[11] As recognized by the County Comptroller's Office and the County Office of Legislative Budget Review, fund balance is not a revenue source under GAAP.

are also projected to grow by 3% annually. Debt service-related costs remain substantially unchanged in the Update.

Regrettably, the Update does not describe any gap-closing measures NCC plans to implement to ensure recurring financial balance. It lists the following gap-closing initiatives without quantifying any numerical value: 1) Tuition Increases; 2) Public-Private-Partnerships; 3) Leasing Property; 4) Rental Income; 5) Internal Efficiencies; 6) Cost Containment; and 7) State Support. The County should insist that NCC craft a detailed gap-closing plan containing comprehensive descriptions of the requisite tasks and milestones.

Potential Gap-Closing Plan Initiatives

The County contends that its, "…Fiscal 2026-2029 Multi-Year Financial Plan update is structurally balanced with no gaps; therefore, no discussion of a gap-closing plan is required." We disagree with the County's conclusion regarding structural balance considering the County's inclusion of amounts in reserves as funding sources in the Out-Years.

In any event, the County has identified several initiatives to improve its finances by generating additional revenue or reducing expenditures in the Out-Years. These initiatives, which have been mentioned for several years, but have not been presented as part of a formal gap-closing plan, are discussed below.

Building Consolidation – The County, without any specifics or supporting documentation, expects to reduce expenses through centralization and reduction of office space, thereby generating additional savings in utilities and maintenance costs. We are holding this initiative at risk until a detailed plan is developed that lays out specific properties the County is vacating.

Efficiency Program – The County expects to realize savings from permanently consolidating and realigning its workforce levels. It is unclear how any further efficiencies can be gained since 594 County workers elected to participate in the VSIP offered in March 2026. Of the 594 participants, 88 were deferred, 12 of which will be separated in 2027.

Economic Development – The County has stated that there are opportunities for economic development of downtown areas; however, it has not identified any specific projects or explained how this would generate new revenue.

Coliseum Property – Beginning in FY 2027, Las Vegas Sands ("LVS") is to pay $5.0 million annual rent payments to the County which inflate each year by two percent beginning in FY 2028 (the fifth year of the lease). The County will also receive approximately $0.9 million additional rent annually (which also inflate each year of the lease by two percent) towards public safety, although these payments are not included in the Out-Years.

The County has not identified any additional revenues flowing from the lease following LVS's withdrawal of its application for a casino license at the Coliseum site.

IV. CONCLUSION

The County's fiscal outlook continues to show signs of stress in the near and long term.

During FY 2026, the County relies substantially on one-shot uses of various reserves to provide relief in the Major Funds, as it has done in recent years. Although the purpose of reserves should be to smooth the impact of unanticipated revenue shortfalls and expenditure overruns, their now-routine use at the beginning of the year demonstrates the absence of lasting improvement in the County's fiscal strength and risk management.

The County's fiscal outlook is also affected by continued economic uncertainty. Changes in inflation, consumer spending, interest rates, and energy prices could affect the pace of economic growth and therefore sales tax collections. This is particularly important because sales tax, the County's largest source of revenue, would be directly impacted by a downturn in the economy.

Along with economic volatility, changes in federal funding in the One Big Beautiful Bill Act, including modifications to SNAP and other federally supported programs, could shift additional costs to the State and local governments. These changes could also place pressure on household spending. Any reduction in consumer spending could affect sales tax collections, which could increase budget gaps and place additional pressure on reserves or require other corrective actions.

We continue to monitor the precarious finances of NHCC which could add to the County's financial exposure. Due to the unavailability of the ACFR, we are unable to reach any conclusions regarding the outlook for the County's long-term liabilities for tax certiorari refunds, non-certiorari litigation and workers' compensation claims.

We will help the County to continue its fiscal recovery and will continue to update our evaluation of its sustainability. The County can help in that process by responding to our prior unanswered requests for information and cooperation and by improving the transparency of its decision-making.

V. APPENDIX

Description of Reserve Funds

The **Litigation Fund** was established in 2015 in accordance with the transitional borrowing plan approved by NIFA to ensure that the County no longer borrowed for judgments and settlements. Since its inception the County has allocated year-end surpluses to dedicated purposes within the Litigation Fund, such as: Workers' Compensation claims; longevity payments owed to satisfy labor settlements; judgments and settlements (non-certs related) specific to the Police District Fund; and tax certiorari refunds.

The **Operating Reserves Fund** was established in 2023 with the sole purpose to cover extraordinary expenses under the following categories (segregated specifically): (1) healthcare – to cover unbudgeted or extraordinary expenditures related to healthcare insurance for existing and retired employees; (2) labor – to provide for payment of unbudgeted or extraordinary personnel costs, and expenditures related to negotiated labor agreements, awards or settlements; and (3) insurance – to provide for the retention of risk to strengthen the County's risk management strategy through high deductible, excess loss property and casualty, public entity liability and other polices.

The **Employee Benefit Accrued Liability Reserve Fund** was created in 2004 with the sole purpose to fund future termination payouts for unused vacation and sick leave accruals and other similar payments.

The **Bonded Indebtedness Reserve Fund** was established in 2005. Its purpose is to set aside resources for future partial payments of debt service.

The **Retirement Contribution Reserve Fund** was formed in 2004. It was created to allocate resources to cover portions of future retirement systems payments. The funds currently held in this Fund may be used to offset pension payments related to the Employees' Retirement System, but not the Police and Fire Retirement System.

The **Capital Reserve Fund** was established in 2024, pursuant to Section 6-c of the General Municipal Law, to accumulate funds to finance the cost of the acquisitions of vehicles with a period of probable usefulness of less than five years.