



Published in the

# WALL STREET JOURNAL

## Storm Costs Wreak Havoc With Budgets

By JOSEPH DE AVILA, HEATHER HADDON and WILL JAMES

November 13, 2012

In Long Island's Nassau County, where shaky local government finances are under state control, Sandy's economic toll could double the county's \$25 million budget deficit, the local comptroller said. In New Jersey, where the economy has lagged behind the nation, the devastation has complicated Gov. Chris Christie's plan to cut taxes.

And in Long Beach, where the City Council voted this year to declare a fiscal crisis, the storm-related costs are estimated at \$200 million, dwarfing the oceanfront city's \$88 million total annual budget, city officials said.

Sandy has dealt a severe blow to local governments that were already on the brink, pushing some to consider adding debt or raising taxes to pay for the storm and others to consider cutting cherished services such as police and firefighters.

"This would exacerbate the fiscal problems they're already facing," said New York State Association of Counties spokesman Mark LaVigne. "It will reduce sales tax revenues for last quarter of fiscal year, it will take some properties off tax rolls, it has increased the needs for programs and services counties provide."

Officials are optimistic that they would be reimbursed for most storm-related costs, such as extra overtime for emergency personnel and infrastructure repair. The Federal Emergency Management Agency generally reimburses local governments for 75% of the costs for disaster expenses, but New York and New Jersey are seeking 100%.

It is rare for FEMA to fully reimburse governments, though. And the money often takes time to pass through bureaucratic channels to the local level. A few million dollars means a lot in a place such as Long Beach, where the city cut jobs and raised taxes this year to close a \$10 million budget gap. Repairing the city's two-mile boardwalk alone could cost up to \$25 million.

If the federal and state governments don't cover the full cost, the city faces unpalatable options, said Jack Schnirman, the city manager. "Borrowing, revenue increases, but we don't see those as reasonable, viable options at this point, given the enormity of the cost we face and the finances of the city that we inherited," he said.

**New York state officials are hoping the federal government finds a way to grant Gov. Andrew Cuomo's request of \$30 billion in aid. Sandy is expected to widen the state's \$1 billion budget gap, and if Congress**



Published in the

# WALL STREET JOURNAL

doesn't approve Mr. Cuomo's request, the state would have to trim agency spending, cut aid to local governments and potentially lower how much debt it pays down each year, said Citizens Budget Commission analyst Tammy Gamerman.

New York City officials expect that most of its \$634 million in storm-related capital and operating costs would be covered by FEMA, a spokesman for Mayor Michael Bloomberg said. That figure doesn't include overtime costs for city workers.

In Nassau County, where \$86 million is projected to be spent on recovery efforts, County Comptroller George Maragos is worried about a potential \$30 million sales-tax loss due to the storm. "Our reserves are low, and so we cannot afford to further deplete those," he said.

Katie Grilli-Robles, a spokeswoman for Nassau County Executive Ed Mangano, a Republican like Mr. Maragos, said the comptroller's sales-tax projections were too pessimistic and didn't account for residents and businesses replacing and repairing items damaged by the storm.

In Westchester County, where officials estimate an \$85 million deficit for its upcoming 2013 operating budget, Sandy recovery efforts could cost about \$50 million. About \$25 million of that will be needed to repair Playland and its surrounding park in Rye, N.Y., said Westchester County Executive Robert Astorino. If the federal government doesn't come through, most of the costs would be rolled into Westchester's capital budget, allowing the county to borrow to cover the shortfall, Mr. Astorino said.

In Yonkers, where the city faces a \$462 million deficit over four years, Mayor Mike Spano said he would have to cut police and firefighters if its \$8 million in storm costs wasn't covered by the federal government.

In New Jersey, economists said Tuesday that Sandy could cause a short-term hit to the state budget, depressing revenues from taxes on sales, income, casino profits and the lottery. "The storm is certainly a very hard blow for the economy," said Joseph Seneca, a Rutgers University economist.

New Jersey hasn't released a figure on the cost of the disaster for the state, as officials want to avoid releasing a number too early that would later have to be revised, state officials said.

"The prize doesn't go to the state that is earliest out with a big number," said state Treasurer Andrew Sidamon-Eristoff said.

The storm could complicate Mr. Christie's plans for a property-tax credit. On Monday, he said he may re-evaluate his proposal after the economic impact of the storm became clear. On Tuesday, he said he had yet to see a reason to drop the plan. "I've always said that if something catastrophic happens you always have to adjust your positions, but I have not yet seen that demonstrated to me," Mr. Christie said.



Published in the

# WALL STREET JOURNAL

The storm could instead prompt property-tax increases. In New York, counties can vote to override a 2% cap in the case of a budget shortfall, and seven of them were already planning to do so before Sandy, said Mr. LaVigne of the New York State Association of Counties. New Jersey towns are able to spend beyond a 2% year-to-year budgetary cap in emergency circumstances. Many were running at "bare bones" levels before the storm, and now will now need property tax increases, said William Dressel, executive director of the New Jersey State League of Municipalities.

However, the storm could help the state's flagging sales tax revenues and rebuilding could help the construction sector, which has lost tens of thousands of jobs in the last several years.

"This might end up being a positive," said David Rosen, the state Legislature's budget and finance officer.