

New York State takes control of Nassau County finances

By Peter Daniels
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The Nassau Interim Finance Authority has turned itself into a control board, with the power to impose a budget on the county and to rip up labor contracts and other commitments. The new control board has ordered Nassau County to rewrite its proposed 2011 budget by February 15. The county's \$2.6 billion budget has a deficit of \$176 million. This gap is more than six times the level of 1 percent of the county budget under which, according to state law, the Finance Authority must take over control.

County Executive Edward Mangano, a Republican, was elected in 2009 with Tea Party support, ousting Democratic executive Thomas Suozzi. Mangano ran on the additional ballot line of the Tax Revolt Party. His first official action was the repeal of an unpopular heating-oil sales tax. This came just as the county was faced with lower tax revenues and higher debt-service payments. Last November Moody's credit-rating agency downgraded Nassau's debt.

The state board decided on the takeover of the county's finances by a unanimous 6-0 vote. With a membership of three Democrats, a Republican, a Conservative Party member and an independent, the board's chairman announced that the decision "is not partisan." The Conservative board member declared that the county's 2011 budget "is built on a foundation of sand." The county government was accused of counting \$234.4 million in revenue for the coming year that might not materialize.

The state's latest move may be challenged in court, however. Mangano attacked the board's action as "premature...unfounded and unnecessary."

The state action is rare but not unprecedented. The finances of New York City came under state control temporarily 35 years ago, during the city's brush with bankruptcy. In recent years, some of New York State's

older cities, including upstate Troy and Newburgh, and Yonkers, to the immediate north of New York City, have faced state financial control. These cities, as well as Erie County, the home of Buffalo, still the state's second largest city although it has lost well over half of its population in recent decades, were hit hard by the exodus of basic industry.

Nassau County, just east of New York City and with a population of more than 1.3 million, is a somewhat different case, one that reflects another and equally serious aspect of the developing economic and fiscal crisis. In contrast to Erie County, it is one of the wealthiest in the state. It has a median household income of \$85,000 as of 2008, and was listed by *Forbes Magazine* as of that date as the 10th wealthiest county in the United States.

Although Nassau has obviously been affected by the housing collapse and the ongoing slump, its unemployment rate is well below the state and national average. Its fiscal crisis has other causes in addition to declining tax revenues caused by the economic slump. It was visible long before 2008. In fact, the Interim Financial Authority was itself established back in 2000, after the county averted disaster and potential bankruptcy through a \$100 million state bailout. The state government established the oversight board as a condition of that rescue, and the board has now declared that what it deems continuing fiscal irresponsibility requires the state takeover.

Nassau is in many ways the prototypical suburban area of the United States. In the post-World War II years, it came to symbolize the promise of open space and higher living standards through the expansion of the suburbs. Nassau's population nearly doubled between 1940 and 1950 and then doubled between 1950 and 1960, from 672,000 to 1.3 million. It reached

a peak of about 1.4 million by 1970 and has since leveled off.

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