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Cameron: Slashing capital spending a mistake

By: John D. Cameron Jr. February 23, 2012 1 Comment

The Nassau Interim Finance Authority's recent cut of $30 million from Nassau County's proposed $90 million capital budget for 2012 does not present the short-term or long-term savings cited by NIFA members.

The projected savings from this year's bond payment actually represents significantly less than 1 percent of the county's estimated $310 million budget shortfall and will ultimately cost the taxpayers much more in the long-run.

One can safely assume the cut in the capital budget was made for purely financial reasons and not based on the merits of the proposed capital projects. The make-up of NIFA would support that premise, being that members' backgrounds are mostly financial and not technical or infrastructure related. As a point of information, capital budgets for public works projects typically involve public infrastructure.

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The delay in construction of needed infrastructure will not only result in increased maintenance costs for the county in the interim but will also undoubtedly result in higher bond re-payment costs.

The presently depressed construction market on Long Island also presents the opportunity for a very competitive bidding climate. The risk of higher interest and borrowing rates in the not-too-distant future is significant, especially considering the potential effects of the European fiscal crisis, the instability of the Middle East and our looming federal deficit. Any incursion of Iran into the Straits of Homuz or military action by Israel will cause oil prices to skyrocket with a concomitant effect on the price of asphalt (with oil being a primary component) and a spike in road paving pricing.

A reasonable expectation of even a few-year delay in the bonding and construction of the NIFA-cancelled capital projects would likely encounter elevated bond rates along with a normal increase in construction costs – assuming no major jump in oil or materials pricing – resulting in a potential increase in tens of millions of dollars in costs to the county taxpayers over the life of the bonds. That increase assumes no major changes in the world's or nation's economies, something which appears tenuous for the foreseeable future. If global stability is altered, those costs would escalate much higher.

Most of us are cognizant of the financial constraints our governments are under today, especially Nassau, but NIFA should understand there will never be a better time to bond and bid construction projects than now. With greater than 35 percent unemployment in our construction trades, the local economy could certainly benefit from the direct, indirect and secondary economic benefits of infrastructure investment from job creation and tax revenue generation.

The federal government's 2009 American Recovery and Reinvestment Act, often referred to as the "stimulus plan," was really a "subsidy" package and not focused on infrastructure investment. Still, it virtually eliminated any chance of bipartisan support for a true infrastructure-funding bill coming out of Washington this year. How much Albany directs to Long Island for infrastructure work this year is yet to be determined.

The time to stimulate our economy, create jobs and fill government's tax coffers is now. To delay funding of necessary infrastructure will not only continue to stall our local economy, it will actually, in fact, cost our taxpayers significantly more in the long run.

Cutting capital budgets for infrastructure projects now is fiscally imprudent.