

**TESTIMONY OF ANDREW S. HOLLWECK  
VICE PRESIDENT, NEW YORK BUILDING CONGRESS  
ON THE  
FISCAL YEAR 2014 CAPITAL BUDGET  
AT A HEARING OF THE NEW YORK CITY COUNCIL  
FINANCE COMMITTEE  
JUNE 5, 2013**

GOOD AFTERNOON, MR. CHAIRMAN AND MEMBERS OF THE CITY COUNCIL.

MAYOR MICHAEL BLOOMBERG'S FINAL EXECUTIVE BUDGET OFFERS A CAPITAL SPENDING PLAN FOR FISCAL YEARS 2014 THROUGH 2017 THAT MAINTAINS THIS ADMINISTRATION'S COMMITMENT TO NEAR-HISTORIC LEVELS OF CAPITAL INVESTMENT.

THANKS IN PART TO SIGNIFICANT EMERGENCY FEDERAL AID RELATED TO SUPERSTORM SANDY, SPENDING IS FORECAST TO INCREASE IN EACH YEAR COMPARED TO THE BUDGET PRESENTED ONE YEAR AGO.

NOTABLY, THE CITY IS PROPOSING TO SPEND \$10.2 BILLION IN 2014, THE SECOND-HIGHEST LEVEL OF CAPITAL SPENDING OF THE LAST THIRTY YEARS. THE CITY'S FIVE-YEAR SPENDING PLAN IS \$45 BILLION - ALSO NEAR RECORD HIGHS.

HOWEVER, THE BUDGET ALSO HIGHLIGHTS LONGER-TERM CONCERNS.

THE CITY FORECASTS FUTURE CAPITAL COMMITMENTS (I.E. NEW CONTRACTS THE CITY EXPECTS TO REGISTER, AN INDICE OF FUTURE WORK) TO DROP TO \$5.2 BILLION BY 2017. WHILE WE UNDERSTAND THAT OUT-YEAR COMMITMENTS WILL INCREASE AS AGENCIES PLAN AND BUDGET, ONLY \$3.7 BILLION OF THIS IS CITY-FINANCED COMMITMENTS, THE LOWEST FIGURE POSTED IN ANY BUDGET OF MAYOR BLOOMBERG'S TWELVE YEARS IN OFFICE.

AN IMPORTANT REASON FOR THE SHRINKING LEVEL OF COMMITMENTS IS THE CITY'S INCREASING DEBT BURDEN, WHICH IS EXPECTED TO GROW FROM \$68 BILLION THIS YEAR TO \$75.5 BILLION IN 2017 (NOT INCLUDING THE INDEPENDENTLY-FUNDED WATER AND SEWER SYSTEM). DEBT SERVICE WILL ALSO TAKE UP A LARGER SHARE OF TAX REVENUES, RISING FROM 13.2% TO NEARLY 15% OF TAX REVENUES IN 2015-17.

THESE NUMBERS ARE A WARNING SIGN THAT THE CITY, GIVEN CURRENT REVENUE PROJECTIONS, WOULD BE COMPELLED TO CURTAIL INFRASTRUCTURE INVESTMENT IN THE FUTURE. A RECENT CITIZENS BUDGET COMMISSION REPORT ALSO WARNED OF THE STRUCTURAL LIMITATIONS OF THE CITY'S DEBT BURDEN WITHIN THE CITY'S OVERALL BUDGET.

TO MAKE MATTERS WORSE – NOT ALL OF THE CITY’S PRIORITIES WERE ADDRESSED EVEN DURING THIS BRIGHT PERIOD OF CAPITAL INVESTMENT. MANY OF THE CITY’S MAJOR PARKS, LIKE PROSPECT PARK AND FLUSHING MEADOWS CORONA PARK REMAIN UNDERFUNDED AND DECAYING. THE CITY UNDERWROTE ONE MAJOR NEW TRANSIT CONNECTION BUT ITS YEAR-TO-YEAR COMMITMENT TO THE MTA'S TROUBLED CAPITAL PROGRAM IS ACTUALLY AT ITS LOWEST LEVEL EVER. CITY SCHOOLS REMAIN OVERCROWDED. THE CITY’S HOSPITAL SYSTEM THAT SERVES ITS NEEDIEST FACES SHRINKING CAPITAL SUPPORT EVEN AS IT IS TASKED WITH RECOVERING FROM THE DEVASTATION OF SUPERSTORM SANDY. INDEED, SUPERSTORM SANDY IS EXPECTED DRIVE UP THE COST OF THE CITY'S CAPITAL PROGRAM BY MANY BILLIONS OF DOLLARS, AFFECTING VIRTUALLY ALL CATEGORIES OF SPENDING. THIS IS SERIOUS BUSINESS.

WE NEED TO THINK OUTSIDE OF THE BOX. MAINTAINING CRITICAL INFRASTRUCTURE, GIVEN COMPETING FINANCIAL DEMANDS, WILL REQUIRE DEDICATED, RELIABLE FUNDING STREAMS TIED DIRECTLY TO CAPITAL INVESTMENT - A MODEL THAT HAS WORKED SUCCESSFULLY FOR THE DEPARTMENT OF ENVIRONMENTAL PROTECTION USING DEDICATED WATER AND SEWER FEES. OUR WATER AND SEWER SYSTEM IS TRULY ONE OF THE WONDERS OF THE WORLD, PROTECTIVE OF PUBLIC HEALTH AND THE ENVIRONMENT, ALL WHILE KEEPING RATES SQUARELY IN LINE WITH OTHER METROPOLITAN AREAS OF THE COUNTRY.

ONE OPPORTUNITY FOR DEDICATED FUNDING COULD COME FROM A UNIFORM BRIDGE AND ROAD TOLL POLICY. IN 2008, THIS BODY COURAGEOUSLY APPROVED A PLAN FOR TRAFFIC PRICING IN EXCHANGE FOR IMPROVEMENTS TO ROADS AND MASS TRANSIT. THIS PLAN SHOULD BE REVISITED.

THIS IS ONE EXAMPLE. THE LARGER POINT IS THAT THE UNCERTAINTY FORECAST IN THIS BUDGET IS A WARNING THAT WE MUST LOOK TO NEW DEDICATED RESOURCES TO PAY FOR THE PHYSICAL ASSETS ESSENTIAL TO A VIBRANT, WORLD CLASS ECONOMY. WE CANNOT WAIT UNTIL A BRIDGE CRUMBLES OR QUALITY OF LIFE IS SLOWLY CHIPPED AWAY BECAUSE OF A LACK OF INVESTMENT. THE COUNCIL CAN AND SHOULD HELP LEAD THE WAY. AS A START, THE COUNCIL’S INFRASTRUCTURE TASK FORCE COULD BE RECONVENED TO LOOK AT THIS ISSUE.

THE CITY'S SHORT TERM CAPITAL BUDGET FORECAST IS STRONG - A LEGACY OF THE BLOOMBERG ADMINISTRATION'S DEDICATION TO BUILDING AND MAINTAINING THE SYSTEMS THAT PROMOTE ECONOMIC DEVELOPMENT, EDUCATION, CULTURE AND TOURISM, AND THE OVERALL QUALITY OF LIFE.

HOWEVER THE NEXT ADMINISTRATION AND THIS COUNCIL FACE A CLEAR CHOICE BETWEEN RETURNING TO THE BAD OLD DAYS OF CRUMBLING ROADS AND BRIDGES, OR FINDING A WAY TO PAY FOR SCHOOLS, LIBRARIES, PARKS, HOSPITALS AND OTHER CORE STRUCTURES THAT UNDERGIRD OUR CITY.

THANK YOU FOR THIS OPPORTUNITY TO TESTIFY.