

**SUBMITTED TESTIMONY
ANDREW S. HOLLWECK
VICE PRESIDENT, NEW YORK BUILDING CONGRESS
ON THE
FISCAL YEAR 2015 CAPITAL BUDGET
NEW YORK CITY COUNCIL
FINANCE COMMITTEE
JUNE 6, 2014**

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

MAYOR BILL DE BLASIO'S EXECUTIVE BUDGET CAPITAL SPENDING PLAN FOR FISCAL YEARS 2015 THROUGH 2018 MAINTAINS A ROBUST COMMITMENT TO THE CITY'S CORE INFRASTRUCTURE.

THE BUILDING CONGRESS IS PLEASED THAT MAYOR DE BLASIO, IN SETTING AN AMBITIOUS AGENDA FOR THE CITY'S SCHOOLS AND AFFORDABLE HOUSING STOCK, HAS COMMITTED TO INVESTING IN THE PHYSICAL STRUCTURES THAT WILL ALLOW THESE POLICIES TO TAKE ROOT.

FOR EXAMPLE, BETWEEN THE PRELIMINARY BUDGET AND EXECUTIVE BUDGET, CAPITAL COMMITMENTS TO THE DEPARTMENT OF EDUCATION INCREASED FROM \$8.3 BILLION TO \$10.1 BILLION FOR THE YEARS 2014-2017. OVER FIVE YEARS, DOE WILL RECEIVE \$12.7 BILLION. SOME OF THIS INCREASE WILL GO TO THE MAYOR'S EXPANSION OF PRE-KINDERGARTEN.

THE MAYOR'S AFFORDABLE HOUSING PROGRAM HAS ALSO BEEN A MAJOR FOCUS OF THE NEW ADMINISTRATION AND CAPITAL COMMITMENTS TO HOUSING HAVE INCREASED ACCORDINGLY. 2014-2017 COMMITMENTS ROSE FROM \$1.5 BILLION IN THE FEBRUARY PLAN TO \$2.4 BILLION IN THE MAY BUDGET, AND \$3.1 BILLION THROUGH 2018.

OTHER KEY COMPONENTS OF THE CAPITAL PROGRAM RECEIVE IMPORTANT FUNDING, INCLUDING THE DEPARTMENT OF ENVIRONMENTAL PROTECTION, WHICH WILL RECEIVE \$7.5 BILLION BETWEEN 2015-2018, A FOUR-YEAR FIGURE THAT IS \$500 MILLION HIGHER THAN MAYOR BLOOMBERG'S FINAL BUDGET.

ALSO OF NOTE, THE DE BLASIO ADMINISTRATION HAS SAID IT STRUCTURED THE CAPITAL BUDGET TO MORE ACCURATELY SHOW CAPITAL SPENDING IN THE YEAR IN WHICH IT WILL ACTUALLY OCCUR – WHICH WILL HELP THE BUILDING INDUSTRY PREDICT ACTUAL SPENDING FROM YEAR TO YEAR. RECENT BUDGETS HAVE FRONT-LOADED EXPENDITURE NUMBERS, WHICH ARE THEN REVISED DOWNWARD.

FOR EXAMPLE, MAYOR BLOOMBERG'S FINAL EXECUTIVE BUDGET (MAY 2013) SHOWED THE CITY WOULD CLOSE OUT FISCAL 2013 SPENDING AT \$9.3 BILLION, AND THEN SPEND \$10.2

BILLION IN FISCAL 2014. IN FACT, THE CITY WILL NOT HAVE ACHIEVED EITHER OF THOSE NUMBERS. ACTUAL SPENDING IN 2013 TURNED OUT TO BE \$8.4 BILLION; SPENDING IN FISCAL 2014 IS EXPECTED NOW TO BE CLOSER TO \$9.2 BILLION, A FORECAST OFF BY NEARLY \$2 BILLION COMBINING THIS YEAR AND LAST.

THE DE BLASIO SPENDING FORECAST IS FAIRLY LEVEL FROM YEAR TO YEAR: \$9 BILLION IN 2015, \$9.3 BILLION IN 2016, \$9.2 BILLION IN 2017, AND \$8.8 BILLION IN 2018.

HOWEVER, THE BUDGET DOES HIGHLIGHT SOME LONGER-TERM CONCERNS. ANNUAL DEBT SERVICE DURING THE PERIOD 2014-2018 IS FORECAST TO INCREASE FROM \$5.8 BILLION TO NEARLY \$8 BILLION BY 2018, A THIRTY EIGHT PERCENT INCREASE. AS A PROPORTION OF TAX REVENUE, HOWEVER, DEBT SERVICE IS AT ITS LOWEST POINT IN 2014 IN AT LEAST TWENTY YEARS, TAKING ONLY TWELVE PERCENT OF TAX REVENUES. DEBT SERVICE BETWEEN 2015-2018 WILL INCREASE, BUT TAKE ONLY ABOUT 14.5% OF TAX REVENUES EACH YEAR.

AS DEBT SERVICE CONTINUES TO RISE AND COMPETES WITH OTHER PRIORITIES, THE BUILDING CONGRESS RECOMMENDS THE COUNCIL AND THE CITY INVESTIGATE OTHER, ALTERNATIVE REVENUE SOURCES THAT MIGHT BE DEDICATED ENTIRELY TO FINANCING NEW INFRASTRUCTURE INVESTMENTS.

THE BUILDING CONGRESS ALSO NOTES THAT THE CITY'S COMMITMENTS TO MASS TRANSIT HAVE DECLINED. A RECENT COMPTROLLER'S REPORT NOTED THAT BETWEEN 1989 AND 2005, THE CITY COMMITTED AN AVERAGE OF \$280 MILLION A YEAR TO NEW YORK CITY TRANSIT. INCLUDING 2014, THE MAYOR PROPOSES SPENDING SLIGHTLY MORE \$60 MILLION OVER THE NEXT FIVE YEARS. THIS IS A HISTORICALLY LOW CONTRIBUTION TO THE CITY'S VITAL MASS TRANSIT NETWORK.

THE CITY'S CAPITAL BUDGET FORECAST IS STRONG - A SIGN OF THE DE BLASIO ADMINISTRATION'S DEDICATION TO BUILDING AND MAINTAINING THE SYSTEMS THAT PROMOTE ECONOMIC DEVELOPMENT, EDUCATION, HOUSING AFFORDABILITY, AND THE OVERALL QUALITY OF LIFE.

HOWEVER, AS OUR OBLIGATIONS TO THESE INVESTMENTS MOUNT, WE SHOULD BE PREPARED TO LOOK TO ALTERNATIVE REVENUE SOURCES IN THE FUTURE IN ORDER TO CONTINUE TO INVEST AT LEVELS THAT WILL HELP KEEP THIS CITY VIBRANT AND COMPETITIVE.

THANK YOU FOR THIS OPPORTUNITY TO TESTIFY.