

TESTIMONY
ANDREW S. HOLLWECK
VICE PRESIDENT, NEW YORK BUILDING CONGRESS
ON THE
PRELIMINARY FISCAL YEAR 2016 CAPITAL BUDGET
NEW YORK CITY COUNCIL
FINANCE COMMITTEE
MARCH 4, 2015

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

MAYOR BILL DE BLASIO'S PRELIMINARY CAPITAL SPENDING PLAN FOR FISCAL YEAR 2016 MAINTAINS A SOLID COMMITMENT TO THE CITY'S INFRASTRUCTURE AND CLARIFIES SOME OF THE ADMINISTRATION'S PRIORITIES.

THE BUDGET INCLUDES \$41 BILLION IN CAPITAL COMMITMENTS FOR FISCAL YEARS 2015 THROUGH 2018, UP FROM \$39 BILLION FORECAST IN NOVEMBER, AND IS THE HIGHEST FOUR-YEAR FIGURE SINCE THE FISCAL YEAR 2010 BUDGET.

EVEN THOUGH COMMITMENTS TO FUTURE PROJECTS ARE UP, ACTUAL SPENDING IS DOWN 2% FROM NOVEMBER 2014 ESTIMATES. IT IS IMPORTANT TO NOTE THAT THE CITY IS ACTUALLY SPENDING \$2 BILLION MORE OF ITS OWN MONEY COMPARED TO LAST YEAR'S BUDGET, WHICH SUGGESTS THE CITY EXPECTS STATE AND FEDERAL AID TO NEW YORK CITY TO DECLINE SIGNIFICANTLY DURING THIS PERIOD.

THE CITY'S TEN-YEAR CAPITAL STRATEGY IS ALSO AMBITIOUS. AT \$67.7 BILLION, THE TEN-YEAR PIECE IS \$14 BILLION – OR 26% – GREATER THAN THE LAST VERSION RELEASED IN 2013. THE CITY'S CONTRIBUTION TO THIS PLAN INCREASES A STRIKING 51%, OR \$20.3 BILLION, WHILE NON-CITY CONTRIBUTIONS ARE DOWN A TROUBLING 44%.

DESPITE THE SIZABLE INCREASE IN ITS CONTRIBUTION, THE CITY FORECASTS THAT ITS DEBT BURDEN WILL INCREASE SLOWLY IN THE SHORT TERM, BECAUSE OF STRATEGIC DEBT REFINANCINGS, AND EXTENDING SOME LARGER PROJECTS INTO LATER YEARS OF THE PLAN. IN THE LONGER TERM, WITHOUT ADDITIONAL STATE AND FEDERAL ASSISTANCE, THE CITY'S ANNUAL DEBT LOAD IS FORECAST TO INCREASE FROM \$8.3 BILLION TO \$9.3 BILLION PER YEAR BY 2025.

THREE AGENCIES RECEIVE THE BULK OF FUNDING IN BOTH DOCUMENTS:

- PUBLIC SCHOOLS RECEIVE \$11.0 BILLION OVER FOUR YEARS, AND NEARLY 25\$ BILLION OVER TEN YEARS;

- THE CITY COMMITS \$8.2 BILLION TO DEPARTMENT OF ENVIRONMENTAL PROTECTION OVER FOUR YEARS, AND \$12.8 IN THE TEN YEAR PLAN.
- DOT EXPECTS \$5.9 AND \$8.9 BILLION IN NEW COMMITMENTS IN THE RESPECTIVE DOCUMENTS (EXCLUDING THE CITY'S CONTRIBUTIONS TO THE MTA).

SIGNIFICANTLY, THE MAYOR ADDRESSES HIS PLAN TO CREATE OR PRESERVE 200,000 UNITS OF AFFORDABLE HOUSING OVER THE NEXT TEN YEARS BY COMMITTING AN UNPRECEDENTED \$7.3 BILLION TO HOUSING, COMPARED TO \$2.9 BILLION IN THE PRIOR TEN-YEAR STRATEGY.

ONE AREA OF CONCERN IS THE CITY'S COMMITMENT TO THE MTA CAPITAL PROGRAM, WHICH IS CURRENTLY FACING A \$15 BILLION BUDGET GAP IN ITS LATEST FIVE-YEAR CAPITAL PROPOSAL. THE TEN-YEAR STRATEGY SHOWS ONLY A \$40 MILLION ANNUAL CONTRIBUTION TO THE MTA STARTING NEXT YEAR. ALTHOUGH THE CITY HAS MADE ADDITIONAL CONTRIBUTIONS TO SUPPORT THE #7 SUBWAY EXTENSION AND OTHER CONSTRUCTION OVER THE PAST DECADE, THE LONGER-TERM TREND APPEARS TO SHOW A DECLINE IN SUPPORT.

THE MAYOR'S CAPITAL BUDGET PROPOSAL IS A PROMISING SIGNAL THAT THIS ADMINISTRATION UNDERSTANDS THE IMPORTANCE OF INFRASTRUCTURE IN ASSURING THE QUALITY OF LIFE FOR ALL NEW YORKERS.

HOWEVER, THE CITY SHOULD REEVALUATE ITS PROPOSED COMMITMENT TO THE MTA CAPITAL BUDGET, WHICH NEEDS CRITICAL FINANCIAL SUPPORT AND WHICH IS ESSENTIAL FOR SO MANY NEW YORKERS. MOREOVER, THE STATE AND FEDERAL GOVERNMENTS MUST INCREASE THEIR SUPPORT FOR THE CITY AS THE HEALTH OF THE CITY AND ITS ECONOMY IS VITAL TO THE WELL-BEING OF BOTH."

THANK YOU FOR THIS OPPORTUNITY TO TESTIFY.