NEW YORK STATE OF OPPORTUNITY | Division of the Budget

Infrastructure and Debt Affordability

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…with aging infrastructure
and no **plan to rebuild.**

Some of our infrastructure
is simply a disgrace.

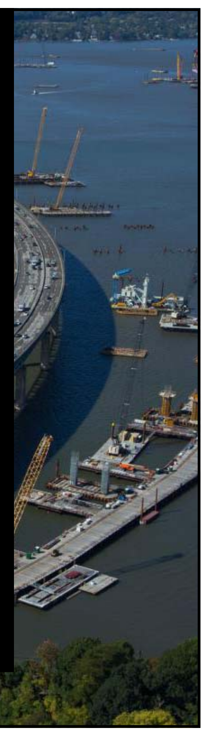
Vice President Biden said:

"If I blindfolded you and took you to LaGuardia Airport in New York, you must think, 'I must be in some third-world country.'

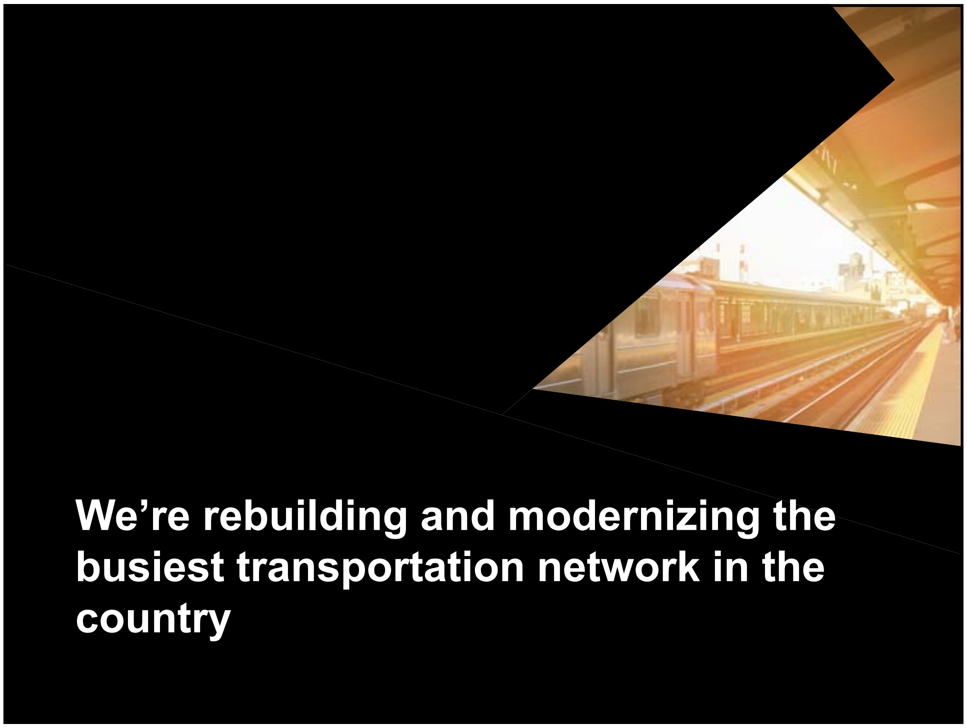
Today, we've embarked on the largest infrastructure investment plan **since the New Deal.**

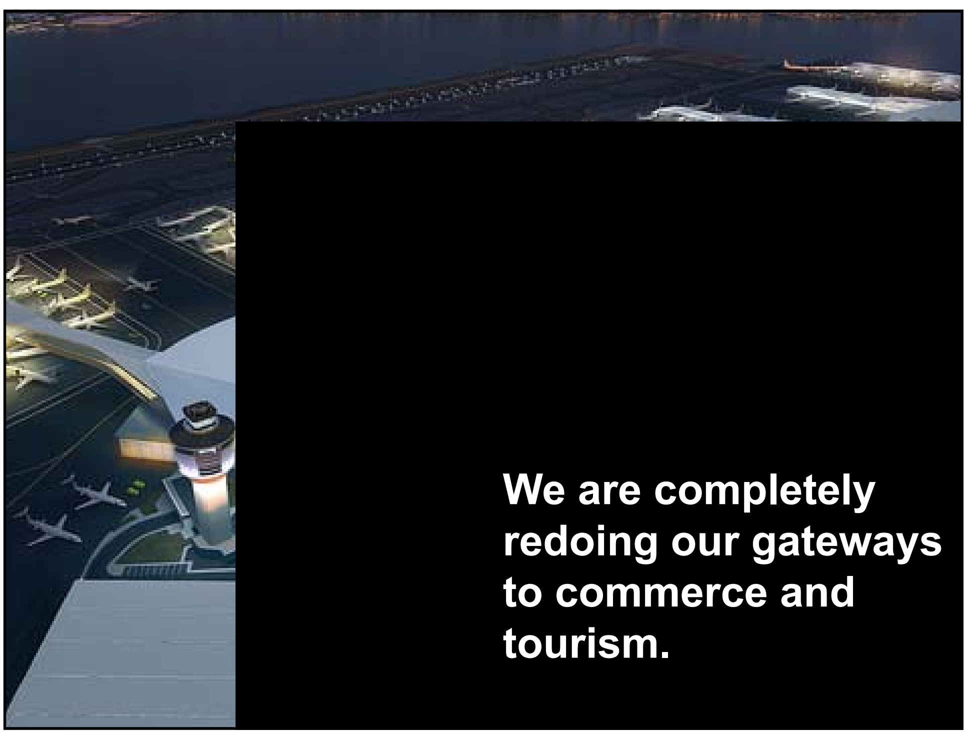
$100 billion investment:

- $27B for Roads/Bridges
- $27B for MTA
- $20B for Gateway Tunnel
- $8B for LGA/JFK Airports
- $4B for Economic Development
- $3B for Empire Station
- $3B for Housing Capital
- $3B for Upstate Investments
- $1B for Broadband
- $1B for Parks and Water
- (and more…)



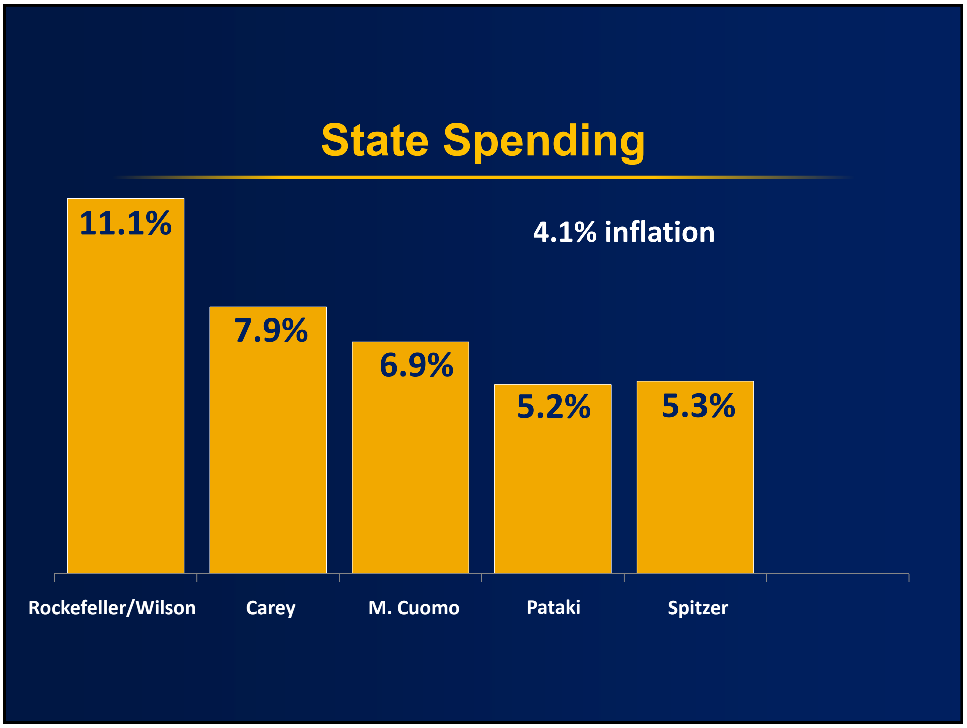
The new Tappan-Zee Bridge is rising over the Hudson.

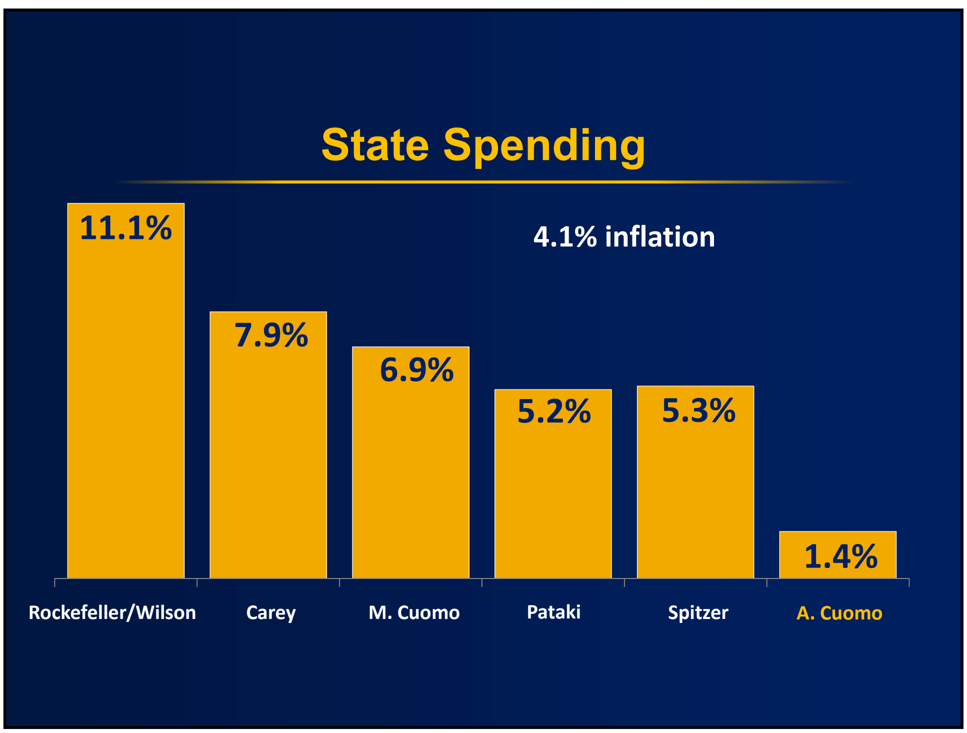

We're rebuilding and modernizing the busiest transportation network in the country


We are completely redoing our gateways to commerce and tourism.

How are we doing it?

Keeping spending growth under 2% sets the stage for **smart government investment in infrastructure.**


State Spending
4.1% inflation
11.1%
7.9%
6.9%
5.2%
5.3%
Rockefeller/Wilson
Carey
M. Cuomo
Pataki
Spitzer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4.1% inflation
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The fiscal discipline of 2% growth

- Enacted six consecutive on-time budgets with few changes from Executive proposal.
- Balanced budgets with spending controls and tax reforms, and without fiscal gimmicks.
  - In January 2011, spending was expected to reach $123 billion in FY 2017 – spending is now expected to total $96 billion in FY 2017.
- Recorded surpluses in FY 2014, FY 2015 and FY 2016 -- first since FY 2007.
- Made three deposits to rainy day reserves (FY 2012 = $100 million; FY 2014 = $175 million; and FY 2015 = $316 million) since start of global financial crisis and set aside $500 million for debt management.
- State debt has declined for four consecutive years, which has not occurred in decades.

The fiscal discipline of 2% growth

- Indexed Medicaid growth to the long-term average growth in the medical component of the CPI with Executive powers to institute sweeping cost controls to stay within caps, subject to Federal approvals.
- Indexed School Aid growth to annual increase in NYS personal income.
- Held agency spending nearly flat, continuing State redesign efforts and reflecting savings from wage and benefit concessions agreed to by the State's largest unions.
  - FY 2012 Enacted Budget reduced agency growth by 10 percent (-$1.5 billion from baseline).
  - Total agency spending (subject to Executive control) has declined from $10.1 billion in FY 2011 to $10.0 billion projected in FY 2017.
- Reduced State workforce/personnel costs through attrition/hiring controls.
  - Executive-controlled workforce is down by 19,090 (13.9 percent) since the start of the fiscal crisis.
  - Total workforce subject to Executive control has declined from 137,700 in FY 2008 to 125,800 in FY 2011 to 118,590 estimated in FY 2017.

The fiscal discipline of 2% growth

- Improved government efficiency through procurement reforms and Enterprise Shared Services. “Back Office” functions are consolidated for savings and consistency.
- Closed 31 facilities (Correctional, Mental Hygiene and Youth Facilities) and administratively consolidated other facilities since 2011.
  - Two additional mental hygiene facilities planned for closure in FY 2017 and beyond.
- Using windfall from monetary settlements responsibly for one-time purposes.

Result: upgrades

- S&P – highest rating since 1972
- Moody’s – highest rating since 1964
- Fitch – highest rating ever

As we put our fiscal house in order, we also prepared ourselves to **reinvest** in infrastructure.

- **Build Capacity:** Allow existing capital commitments to spend out while temporarily not engaging in major new commitments.
- **Lengthen the Planning Horizon:** Begin the first ever 10-year Statewide capital planning process.
- **Improve Coordination:** Bring together state, local, federal and private sector partners.

Regional Economic Development Councils

- In 2011, Governor Cuomo established 10 Regional Councils to develop long-term strategic plans for economic growth for their regions.
- The Councils are public-private partnerships made up of local experts and stakeholders from business, academia, local government, and non-governmental organizations.
- This is a community-based, bottom up approach to economic development. s.

Regional Economic Development Councils

A competitive process awards extra funding to support the best regional plans.

Example: Finger Lakes

- Rochester is an international center of higher education, medical and technological development, with acclaimed universities such as the University of Rochester and the Rochester Institute of Technology as well as major corporations such as Xerox, Kodak and Bausch & Lomb.

- Outside the Rochester area, agriculture (especially dairy farming) is an important economic driver. The Finger Lakes, besides being a popular tourist destination, is also New York's largest wine-producing region with more than 100 wineries and vineyards.

Example: Finger Lakes

The State is supporting 134 projects in three industry clusters that will act as the core drivers of job and output growth:

1. Optics, Photonics, and Imaging
2. Agriculture and Food Production
3. Next Generation Manufacturing and Technology

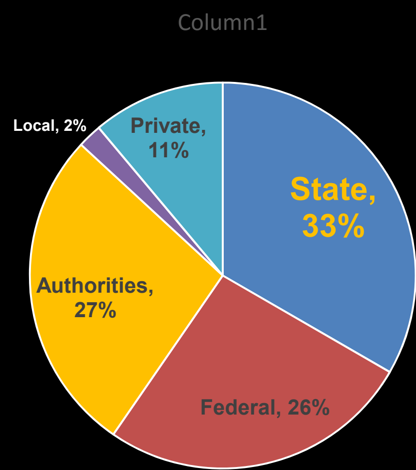
New York Works Task Force

- Brings together leading finance, labor, planning and transportation professionals to more effectively and strategically allocate New York's capital investment funding.
- Breaks down the old "silo-based" approach to capital investment, better leverage capital investment dollars across 47 State agencies and authorities.
- Aligns with Governor Cuomo's signature approach to economic development: leveraging regional assets. Capital planning works hand-in-hand with the Regional Economic Development Councils.

New York Works Task Force

- Changes the way capital is budgeted across the 5-year capital plan by assuming a core level of capital commitments in each functional area for the duration of the plan.
- This new fully-funded approach allows for longer term calculation of capital expenditures and affiliated debt.
- Long-term planning and predictable funding also aids State agencies in creating a capital plan that addresses maintenance needs while responding to ever-changing programmatic needs.
- Opens the door for continuing improvement in capital planning and maintenance management efforts in New York State: reviewing asset management IT solutions, reviewing procurement practices, using performance management to set and meet goals.

$100 billion investment:

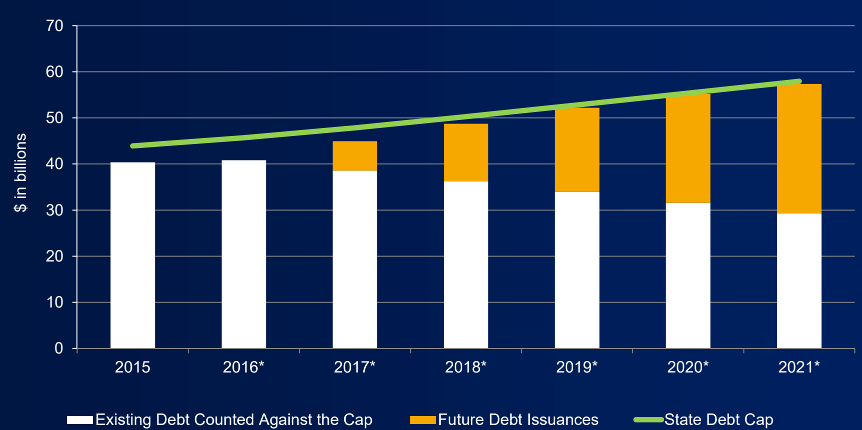


The State's investment has to fit within the statutory Debt Cap.

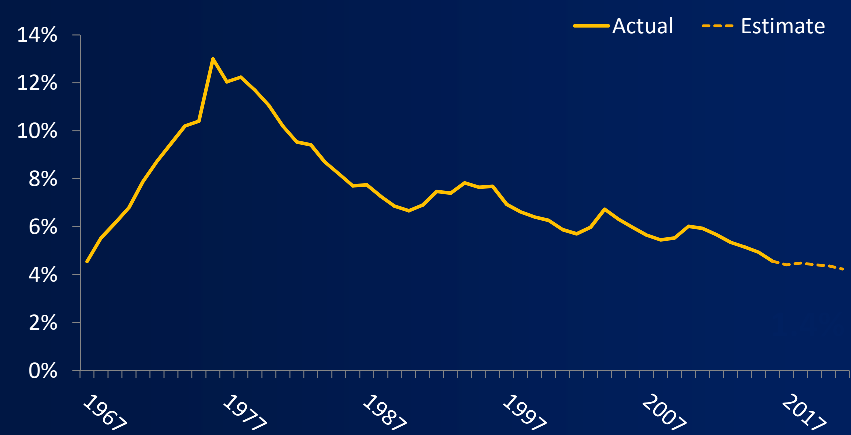
Debt Reform Act of 2000

- Restricts the issuance of State-supported debt to capital purposes only, and for maximum terms of 30 years.
- New State-supported debt is limited to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts.
- The restrictions apply to all new State-supported debt issued since April 1, 2000, and was fully phased in at 5 percent during FY 2014.

Debt affordability: New debt is sized to fit within the statutory debt cap.



Debt affordability: State-related debt as a percent of personal income continues to improve.



Debt burden is projected to improve to the lowest levels in over 50 years.

- Debt outstanding declined for four consecutive years - by $680 million in FY 2013, by $527 million in FY 2014, by $975 million in FY 2015, and again by $2.1 billion in FY 2016.
- Over the five-year Capital Plan (FY 2017 to FY 2021), debt outstanding is projected to increase on average 3.8 percent annually, while Personal Income is projected to increase 4.9 percent annually.

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