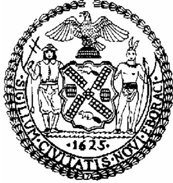

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Testimony of Preston Niblack
Before the City Council Committee on Transportation
On the Rebuild and Renew Transportation Bond Act of 2005

October 17, 2005

Good afternoon Chairman Liu and members of the Committee. I am Preston Niblack, deputy director at the Independent Budget Office.

The New York State "Rebuild and Renew" Transportation Bond Act, which will appear on the November 8th ballot for the voter's approval, would authorize $2.9 billion in state general obligation borrowing to fund transportation projects throughout New York State. In total, about 43 percent of the $2.9 billion is slated for New York City, including $272.5 million for highway and bridge projects, and $326 million for the New York City Transit core capital program. There is $1 billion for Metropolitan Transportation Authority (MTA) expansion projects, including the Second Avenue Subway, East Side Access, and the Kennedy Airport-Downtown rail link.

I will address two issues today about the bond act: the first about whether New York City is getting a "fair share" of the proceeds, and the second regarding the state's debt burden.

The first question is whether, from the city's point of view, we are getting our "fair share" of the $2.9 billion.

There are a couple of different ways to measure "fair share." One is based on a simple net fiscal impact analysis: Are we getting back in spending what we, as state taxpayers, are likely to contribute toward paying off the debt? On that basis, the city does well or at least is not worse off, since we are slated to receive at least 40 percent of spending—about equivalent to the contribution of city taxpayers to the state fisc.

Another approach to evaluating fair share is based on need. How much investment is needed in each region? The Memorandum of Understanding accompanying the Capital Program spells out the goal for the highways and bridges program, which is "to hold bridge conditions at their 2004 levels, and to focus resources to improve the conditions of [the state's] interstate highways." Relative to the rest of the state, the city's highways are in generally good condition, according to the state's 2004 ratings. But the city's bridges are in much less good shape: only 48 percent of them are rated in good or excellent condition, compared to 73 percent statewide (including the city). The Capital Program seeks only modest improvement in the condition of highway pavement in New York City, and essentially none in the condition of bridges.

This "holding steady" approach will not keep up with continuing growth in the city and the region. A recent analysis concluded that preventing further growth in congestion on state

highways in the downstate region would require 50 percent more than what is currently contained in the state Department of Transportation's capital program. Actually making progress toward reducing congestion would require more than twice as much as was approved.[1]

The second issue concerns the additional burden the proposed borrowing would place on the state's already high debt load. By any measure, New York State, with $50 billion in outstanding debt, is one of the most heavily indebted states in the nation. New York has consistently been ranked in fourth or fifth position in net tax-supported debt as a percent of personal income over the past few years, behind Hawaii, Massachusetts, Connecticut, and (occasionally) New Jersey. Only one state has a lower credit rating (California) and another one (Louisiana) has the same rating.

There are, of course, alternatives to general obligation debt financing, including driving-related user fees, that would more directly place the burden of financing highway and bridge maintenance on users. There is also plenty of theoretical justification for having drivers help pay for mass transit, since its use reduces roadway congestion. The state did raise certain taxes and Department of Motor Vehicle fees this spring to help fund the Capital Program, yielding about $350 million total for the transportation authority and $42 million for the Highway and Bridge Trust Fund.

In this instance, we must also consider the alternatives for financing this $1.45 billion investment in the MTA capital program: if it is not state debt, it would most likely be more MTA debt—on top of the $9.3 billion in borrowing already projected for the 2005-2009 plan—which would add another $100 million per year to the MTA operating budget. The MTA could reduce the additional borrowing by putting some of its projected $900 million surplus for this year toward its capital program.

In IBO's view, an evaluation of debt affordability must balance the burden on the state's economy and budget of servicing the debt against the need for transportation investments, which are fundamental to economic growth. The question, in other words, is whether the economic returns from transportation investments are enough to outweigh the costs to the state's economy and budget of the additional debt burden.

Investments in enhancing mobility affect both a region's quality of life and its economic vitality. While we cannot be sure that every dollar of proposed spending is going to its best marginal use, we can say that, in general, without adequate investment in our transportation systems, New York will gradually become a more difficult place to live and do business in—resulting in a slower rate of economic growth that will, in turn, only exacerbate the burden that the state's debt load places on the economy. The voters must weigh the additional debt burden against the need for investment to fuel the continued economic vitality of the city and the region.

Thank you and I am happy to take any questions you may have.

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[1] Bruce Schaller, *Choices at a Critical Junction: New York's Mobility and Highway Infrastructure Needs for 2005-2010* (New York University Robert F. Wagner Graduate School of Public Service, Rudin Center for Transportation Policy and Management; March 2005)