CHRONIC UNDERFUNDING FOR TRANSPORTATION: NEW YORK STATE’S RESPONSE TO LOCAL INFRASTRUCTURE NEEDS

Cornell University

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December 9, 2014 at Gideon Putnam Resort, Saratoga Springs, NY

OUTLINE

● The NY infrastructure crisis – what’s causing it?
● NY infrastructure conditions and needs through data
● The unfunded infrastructure network
● Decreasing infrastructure investment
● Solutions:
  o Tax Reform and Innovation
  o Cross-sectoral collaboration
  o State Infrastructure Bank
THE INFRASTRUCTURE CRISIS

- NY State has invested in mega-projects like the Tappan Zee Bridge ($4 billion +) while quality of local infrastructure is declining
- The governor has the chance to use the one-time surplus from the bank settlement for long-term investment
- For example, NYS water & wastewater infrastructure requires $56.7 billion over 20 years according to the American Society of Civil Engineers’ 2013 Report Card
Percentage of Bridges Deficient By DOT Region

Source: NYSDOT Data Management Unit. (2013)
New York State Highway Bridge Data. Available from NYDOT Data Management Unit:
https://www.dot.ny.gov/main/bridgedata
Percentage of Highway Mileage in Poor or Fair Condition By Region

The Underfunded Network

- Network impacts – infrastructure works as a system
- Visible issue that traditional funding sources can no longer pay for
- Underlying critical issue – lack of funding

FUNDING INFRASTRUCTURE PROJECTS

- Funding and Financing: How Projects Get Built

**Direct Funding Sources**
- Existing Cash
- State & Federal Grants; CHIPS

**Indirect Ongoing Funding Sources**
- Tax Receipts
- User Fees, Tolls

**Financing Mechanisms**
- Municipal Bonds
- Alternative Debt (SIBs, private loans, etc.)

**Project**
Declining Infrastructure Investments

- State and federal grant funding has fallen
- Property tax cap constrains revenue
- CHIPs funding is rising but not enough

DECLINING INFRASTRUCTURE INVESTMENTS


Chronic Underfunding for Transportation: NYS’ Response to Local Need

Research and findings under the direction of Dr. Mildred Warner, Department of City and Regional Planning
SOLUTIONS: TAX INNOVATION

- Rededicate the Dedicated Highway and Bridge Trust Fund
- Comptroller: only 22% of fund to capital investments
- Bipartisan effort already forming

Gasoline Taxes (cents per gallon)

<table>
<thead>
<tr>
<th>National Average</th>
<th>New York</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Excise Taxes</td>
<td>20.50</td>
</tr>
<tr>
<td>Other State Taxes</td>
<td>10.39</td>
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<tr>
<td>Federal Excise Taxes</td>
<td>49.29¢</td>
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Chronic Underfunding for Transportation: NYS’ Response to Local Need

Research and findings under the direction of Dr. Mildred Warner, Department of City and Regional Planning
SOLUTIONS: TAX INNOVATION

- Property tax cap exemptions!
- Special Purpose Local Option Sales Tax (SPLOST)
- User-based VMT tax

SOLUTIONS: CROSS-SECTOR COLLABORATION

Chronic Underfunding for Transportation: NYS’ Response to Local Need

Source: http://savetherain.us/str_project/richmond-ave/?construction_date=2013&type=green-projects-acj&cat=p-type&parent=6411
EXAMPLE: SAVE THE RAIN

- Over 175 Green Infrastructure Projects
- Bundling Delivery of Distinct Infrastructure Projects (roads, water, fiber optic)
- Towns, Cities, Counties, and Private Institutions

Source: http://www.slideshare.net/fullscreen/savetherain/legnetto-gi-maintenance-presentation-2014/22
SOLUTIONS: STATE INFRASTRUCTURE BANK

- Revolving Loan Funds that provide low-interest loans to infrastructure projects
- Financing tool – not a funding solution
- 33 SIBs to date
- Analysis shows not very useful

Source:
http://www.commonwealthmagazine.org/News-and-Features/Features/2012/Fall/~/media/Images/Commonwealth%20Magazine/2012%20Fall/INFRASTRUCTURE_BANK.ashx?h=549&w=400&as=1
SOLUTIONS: STATE INFRASTRUCTURE BANK

● Recommendations for A NYS Infrastructure Bank:
  o Exempt payments from the Property Tax Cap – state approval for loan builds trust
  o Finance smaller projects, not megaprojects
  o Standards should be established to require implementation of best practices in construction and maintenance
**TOPICS FOR DISCUSSION**

- Cuomo’s focus on financing solutions misses the point:

- Infrastructure crisis has been caused by a lack of funding.

- Solution: increase funding! Through tax reform and cross-sectoral collaboration.
  - A SIB could be a useful financing mechanism if created correctly, but doesn’t solve the funding issue.

- A Full Report is Available at: www.mildredwarner.org/restructuring/fiscal-stress