



INVEST IN NEW YORK'S INFRASTRUCTURE

A SUCCESSFUL ECONOMY REQUIRES A STRONG FOUNDATION



INTRODUCTION

New York's essential infrastructure is in dire need of repair and replacement. A significant number of our roads, bridges, water mains and supply networks and sewer systems are over 50 years old. Further, many of their critical components are past their useful life, making them unsafe and highly susceptible to breaks and malfunctions.

New Yorkers have to deal with the state's infrastructure investment deficit every day. The large gap between our state and local infrastructure needs and the resources that the state and local governments have invested in meeting those needs in recent years can be seen in our crumbling roads; substandard bridges; deteriorating water distribution and waste treatment facilities; and the lack of 21st century broadband Internet access. These problems in turn impose huge costs on society, from missed economic opportunities, to reduced competitiveness and an increased number of accidents on our roads.

In 2015, New York State is expected to have a significant, one-time fiscal windfall resulting from state settlements with banks and other fiscal intuitions, estimated to total over \$5 billion. Lawmakers are in a position to make overdue investments in our state's

long neglected infrastructure. They should not waste this opportunity.

Government leaders often find investments in infrastructure politically expendable. Discussions of congested roads, broken water mains, and aging dams rarely grab the big headlines. But it is critical that we do so, because our quality of life and the ability for Upstate communities to compete in the global economy depend on it.

are vital to residents, businesses, and the overall performance of the state economy.

In recent years, New York State and its local governments have not adequately invested in maintaining and improving the infrastructure that they are responsible for. There are only two options with respect to our decaying infrastructure – we can make these necessary improvements and pay for them now, or we can ignore



This report examines New York State's infrastructure needs – roads and bridges, along with water and sewer systems – as identified by the Office of State Comptroller, state Department of Environmental Conservation (DEC), state Department of Health (DOH), and other independent organizations. The alarming facts and figures on New York's structural deficiencies and technological shortcomings demonstrate that the time for investment and improvement is now.

Effective water, sewer, transportation and communication infrastructure

this imminent threat, avoid fixing the problem and pay significantly more in the future. Delay will only increase safety risks, make infrastructure replacement more expensive, and pushes the costs onto future generations.

Sound fiscal policy does not permit one-shot revenues to be spent on things that have to be paid for year after year, no matter how worthy they are.

We urge New York's lawmakers to avoid the mistakes of the past, which include making future spending commitments that we cannot fulfill.

While New York's fiscal situation has improved over the last four years, there is much more that needs to be done.

Helping local governments meet their infrastructure maintenance and improvement

needs will not only benefit our communities for decades to come, it will put New Yorkers to work and ensure that the foundations of our economy – our roads, bridges, water and sewer systems – continue to serve us far into the future.

We urge the state to wisely invest its current windfall today. Doing so will not only save taxpayers money over the long term, it will also stimulate job growth, promote economic development and improve the quality of lives for millions of New Yorkers.

"ASSURING CLEAN WATER, ADEQUATE SEWER SYSTEMS, AND SOUND ROADS AND BRIDGES IS NOT JUST ONE BUDGETARY APPROACH AMONG MANY – IT IS AN ESSENTIAL RESPONSIBILITY, BOTH NOW AND IN THE FUTURE."

NEW YORK STATE COMPTROLLER TOM DINAPOLI



ROADS AND BRIDGES: NEW YORK'S ECONOMIC INFRASTRUCTURE

Throughout our nation's history, New York has been a transportation leader – from the Erie Canal through the state's Thruway. The state's transportation system is an important component of the State's economy, enabling New Yorkers (and others) to access health care, education, jobs, tourism and recreational activities, each other and the world beyond.

In short, our system of roads and bridges are critical to our economic well-being.

Today, New York State has some 110,000 miles of roadways and about 18,000 bridges, and much of the

responsibility for maintaining these roads and bridges is left to county, town and village governments.

TRIP, a national nonprofit organization that researches, evaluates and distributes economic and technical data on surface transportation issues, has undertaken extensive research on New York's surface transportation needs.

TRIP's October 2014 report found that statewide, 47 percent of the state's locally maintained roads are in need of rehabilitation or reconstruction. Fifteen percent of New York's local roads are rated in poor condition,

meaning that they are in the later years or beyond their service life, show significant signs of deterioration, and need to be replaced or reconstructed. It also found that 31 percent of the locally managed bridges in the state require corrective maintenance or rehabilitation.

An earlier TRIP report explained the problem in slightly different terms: the cost of deficient roads and bridges to the state's drivers. The report found that roads and bridges in poor or mediocre condition cost drivers throughout the state about \$4.9 billion each year in additional vehicle operating

costs, including accelerated vehicle depreciation, additional repair costs, and increased fuel consumption and tire wear.

State Comptroller Tom DiNapoli has tracked infrastructure spending since 2002 with his *Growing Cracks in the Foundation* report and subsequent updates. According to his most recent report, “Annual local government capital spending on roads and bridges in 2012 was \$49 million (5 percent) less than overall spending in 2010 (\$976.2 million).”

A 2007 study by the New York State Department of Transportation (DOT) estimated that New York will need to invest \$74.5 billion on its State and local roads and bridges between 2010 and 2030.

But this shortage of local funding, combined with stagnant federal highway aid, recent state budget shortfalls and fiscal constraints has left us far behind in our struggle to maintain this vast statewide highway and bridge system.

In the wake of last year’s exceptionally harsh winter, the 2014-15 enacted State Budget appropriated \$40 million in one-time State funding for local governments to make necessary repairs to highways and bridges.

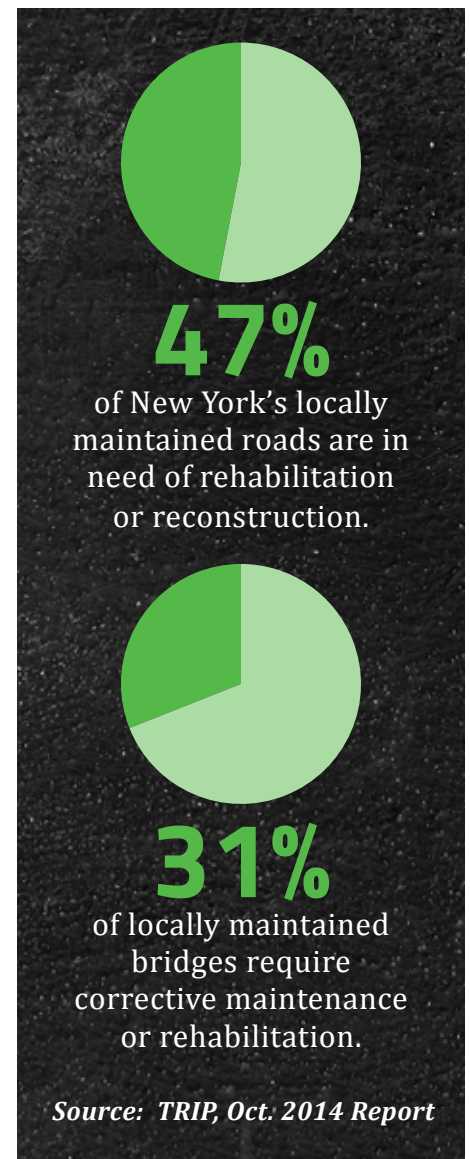
While this is a good step, the state must do much, much more to help local governments repair and improve their infrastructure beyond their own construction and maintenance programs.

WATER AND SEWER INFRASTRUCTURE: OUT OF SIGHT, OUT OF MIND?

Following transportation, water and wastewater infrastructure are the largest municipal assets. Since most water and sewer infrastructure is invisible to the public, it can be (and often is) easily ignored.

But much of our water and sewer system infrastructure is in dire need of replacement – Throughout the state, a lion’s share of the sprawling

labyrinth of water pipes and storm sewers beneath our feet was built before 1940. And if our water and sewer systems do not function, nor can we as a society. Without an ample supply of water, people cannot drink and toilets will not flush. Businesses need water to operate, and when sewage systems do no function properly, cities cannot function.



DRINKING WATER INFRASTRUCTURE

In 2008, the New York State Department of Health (DOH) released a study which found significant deficiencies in drinking water systems across the State. In that report, DOH projected local investment needs for water at \$10.7 billion over 20 years.

NEW YORK STATE'S DRINKING WATER DEFICIT, 2012


\$88.8 million spent

**\$535 million
needed**

*Office of the New York State Comptroller Report
www.osc.state.ny.us/localgov/pubs/infrastructure2014.pdf*

To meet those needs, local governments would have had to invest about \$535 million annually in their systems. What the Comptroller found was that just \$88.8 million was spent to maintain and improve these systems in 2012.

Many of the public systems throughout the state are nearing 100 years of age, while some are even older. Maintaining and repairing an aging water system is challenging and expensive. Even our Northeast winters are working against us – weather-related factors such as snow load, ice formation and freeze/thaw cycles can significantly shorten the useful life of certain water system components.

Between 2007 and 2012, there were 1,187 water main breaks in the city of Syracuse throughout the city's 550 mile system, causing traffic problems, flooding homes and leaving businesses unable to open. In November 2014, Syracuse Mayor Stephanie Miner asked the state for \$726 million to replace Syracuse's 100-year-old water system.

Syracuse is just one city. Throughout the state, there are hundreds of local governments facing a similar infrastructure crisis.

While regular rehabilitation and maintenance is the least costly option and can extend the useful life of many water system components, eventually, they will all require replacement.

SEWER/ WASTEWATER INFRASTRUCTURE

New Yorkers are very fortunate, in that we have abundant water resources in our state. But aging sewage treatment plants represent a

threat to these resources. An inadequate sewage treatment infrastructure jeopardizes the viability of current and future businesses, stymies economic growth and development, and threatens the quality of life for New York State residents.

When a wastewater system is working properly, waste travels to a treatment plant where toxins and solid particles are removed, bacteria is killed and what remains is discharged safely into nearby waterways. When that system malfunctions, untreated waste winds up in our lakes and rivers, or backs up into homes, businesses or streets.

While much of New York's wastewater infrastructure is functional, in many places it is old and overburdened. In some communities, untreated waste runs into streets and waterways when it rains, posing a threat to public health and to the environment. This occurs routinely in many communities throughout New York State.

Many of the sewer systems in New York State are combined



“Sewage and wastewater treatment facilities in New York State are deteriorating....one-quarter of the 610 facilities in New York are operating beyond their useful life expectancy, and many others are using outmoded, inadequate technology...”

*New York State Department of
Environmental Conservation
www.dec.ny.gov/docs/water_pdf/gatheringstorm.pdf*

systems that carry sewage from homes and businesses as well as rainwater collected from street drains. When they overflow during heavy rains, the rainwater mixes with sewage and results in raw sewage being directly discharged into water bodies. This can pose serious environmental and public health risks.

In 2008, the state Department of Environmental Conservation (DEC) released a study that projected a 20-year investment need for local sewer systems of \$20.2 billion – an average of \$1 billion each year.

DEC's report found that a conservative estimate of the cost of repairing, replacing, and

updating the state's municipal wastewater infrastructure is \$36.2 billion over the next 20 years. (This price is likely to have gone up since the report was issued six years ago, especially in the wake of the significant weather events that have impacted the state in recent years.)

Comptroller DiNapoli's 2014 infrastructure report indicates that actual capital spending on sewer systems has fallen far short of the needs. According to that report, annual capital spending on sewer systems increased from \$157 million in 2002 to \$202.6 million in 2012 – far short of the \$1 billion per year requirement identified by DEC in 2008.

During the 1970's and 1980's, Congress made billions of dollars available to local governments throughout the nation to upgrade the nation's sewer systems, and to ensure that what goes into toilets, industrial drains and street grates would not endanger human health. In 1996, New York voters approved the Clean Water/Clean Air Bond Act which provided some funding to improve wastewater infrastructure, but those monies have long been spent.

The high cost of repairing and updating our ailing sewer systems pales beside what it will cost us and our future generations if we do nothing.

BROADBAND: INFRASTRUCTURE FOR A 21ST CENTURY ECONOMY

Some see the state's telecommunications infrastructure as being the modern equivalent of the Erie Canal, or the Interstate Highway System – a foundation for economic success.

Broadband, or "high-speed" Internet access, has become an important part of everyday life. Today's knowledge-based, innovation economy requires more than merely transporting goods and people. It is clear that our communities benefit from reliable, affordable Internet access.

While high speed Internet access is ubiquitous in most of the state's urban areas, some parts of the state still do not have means of accessing the Internet. These are typically rural regions where broadband deployment and maintenance is expensive due to low population densities and difficult to traverse landscapes.

According to the New York State Broadband Program Office, more than six million New Yorkers do not use broadband at home due to issues such as affordability,

lack of knowledge or perception of need. New York State can, and should, do more to promote broadband access and adoption in underserved areas throughout the state – rural and inner city areas.

The problem is that Internet Service Providers (ISPs) typically cannot earn enough revenue to cover their costs and make a profit in these areas. To address this "digital divide," we urge the state to consider increasing its commitment to broadband projects by dedicating a

portion of the state's 2015-16 fiscal year windfall to pay for "last mile" fiber optic infrastructure in underserved communities. The state should also put the New York State Broadband Program Office and the Connect NY program in statute to improve leadership, coordination and legislative oversight.

The Broadband Program Office has already collected the data relating to which communities are currently 'wired' but have low broadband adoption rates. The Broadband Program Office should promote broadband adoption through outreach, trainings, digital literacy education, and equipment donation and adoption efforts

into existing education, business development, and community-building structures; and it should be given funds so that it can support and assist local government efforts to promote broadband adoption.

As it is clear that even a massive state investment in funding broadband deployment will not be enough to overcome all of the existing barriers to enable all New Yorkers to have access to high speed Internet, we urge lawmakers to give telecommunications providers a tax incentive to deploy broadband. Providing a real property tax exemption for broadband technology equipment that is deployed (a

100% exemption for years 1 through 5; then phasing out the exemption in years 6 through 10) will make such investments more economically feasible.

The state should also take steps to improve its telecommunications regulatory environment by giving the Public Service Commission (PSC) greater flexibility in its oversight of telephone corporations by enacting streamlined forbearance language. Doing so will update the state's regulatory framework to meet 21st century needs, rather than forcing the PSC to apply outdated provisions of the Public Service Law in ways that do not serve the public interest.

RECOMMENDATIONS

With a one-time windfall of more than \$5 billion – and perhaps as much as \$6 billion, by the time the 2015-16 state

budget is enacted -- New York State has the opportunity to invest these funds wisely.

Unshackle Upstate recommends that Governor Cuomo and the Legislature take the following actions in 2015:

1 Immediately identify the most critical infrastructure needs for each region. Following the Regional Economic Development Council process, the REDC's should draw on the expertise of planning officials, local Department of Public Works and local sewer district personnel. By April 1, 2015, they should identify, rank, and recommend to the

Governor and the Legislature key infrastructure needs with an accompanying cost estimate;

2 Establish a \$3.5 billion infrastructure bank that local governments throughout the state can draw upon to fund these important projects;

3 Extend design-build authorization, which expired at the end of 2014;

4 Enact real property tax exemptions that promote broadband deployment and capital investment; and

5 Improve the state's telecommunications regulatory environment to promote competition and consumer choice.

ABOUT UNSHACKLE UPSTATE

Unshackle Upstate is a non-partisan, pro-taxpayer, pro-economic growth, education and advocacy coalition made up of business and trade organizations from across Upstate New York. The organization has advocated for controlling state spending, holding the line on taxes, eliminating unnecessary and expensive mandates and limiting the growth of state debt.

OUR PARTNERS

The Buffalo-Niagara Partnership is the privately-funded economic development organization and regional chamber of commerce for the Buffalo-Niagara Region. The Partnership is comprised of thousands of employer members, including dozens of major investors who are committed to growing private investment and jobs in the Buffalo-Niagara region.

The Rochester Business Alliance is the chamber of commerce for the nine-county Rochester region, which includes Monroe, Genesee, Livingston, Ontario, Orleans, Seneca, Wayne, Wyoming and Yates counties. The RBA provides information, advocacy, human resource services and networking to help employers grow.

The Greater Binghamton Chamber of Commerce serves as the premier resource for business development in the Greater Binghamton region. Its aim is to support the existing local business community and the attraction of new businesses to the region through member-driven programs and services, the development of strategic community partnerships and effective political advocacy.

The Empire State Chapter of Associated Builders and Contractors is the New York Chapter of ABC, a national construction trade association devoted to merit contractors. The Empire State Chapter serves close to 400 members throughout New York State from our central office in East Syracuse, and from branch offices in Albany, Buffalo, Rochester and Long Island/Metro NYC.

The North Country Chamber of Commerce is a regional chamber serving Clinton, Essex, Franklin, Hamilton and northern Warren Counties in New York State and southern Quebec. With more than 4,000 members, it is the largest business and economic development alliance in northern New York and one of the five largest chambers in the state.

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