Strengthening New York's Infrastructure: Spending Trends and Planning Challenges

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Message from the Comptroller

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On any given day, millions of New Yorkers ride the subway or drive on public roads; public school buildings and facilities on college campuses open their doors to students across the State; essential services are provided at water plants, other environmental facilities and in homes for developmentally disabled individuals and psychiatric centers; individuals reside in publicly-supported housing; and citizens enjoy the outdoors at public parks.

For all these and a host of other essential services, well-planned public investments in capital assets are critically important. Over the last five fiscal years, the State devoted an average of $10.5 billion annually to capital spending – a figure that is projected to rise by more than one-quarter to $13.4 billion annually in the current five-year planning period. And those numbers don't count billions of dollars in additional promises for mass transit and to pay debt service on previous borrowing, mostly for capital projects.

As always, major questions about New York's capital spending include: Where do the dollars go? Are we spending our limited resources on our highest priority needs? Do we invest these dollars effectively to get the most return for our money? How will these investments affect the overall quality of our infrastructure – and New Yorkers' quality of life?

This report outlines trends in State capital spending and the allocation of dollars among various purposes and financing sources. But questions regarding prioritization and cost-effectiveness are difficult to answer due to limitations in the State's capital planning process.

Investment priorities shift over time for reasons that are not always clear. Transportation has long been the largest spending category, and is projected to remain so in coming years. However, transportation's share of capital spending is expected to drop from 47.5 percent over the previous decade to 38.4 percent in the current five-year plan period – a time when major questions about mass transit funding must be decided. Meanwhile, economic development spending is going up. Whether this reflects the best use of limited capital resources is a question that merits further debate.

Clearly, New York needs robust capital investment for transportation, environmental protection and other essential needs. Yet, the current capital planning process falls short with respect to setting priorities among competing demands and in assessing the cost-effectiveness of public investments. This report offers recommendations for reform that should be carefully considered in the policy debate, especially as the State anticipates significant increases in future capital spending.

Thomas P. DiNapoli
State Comptroller

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I. Executive Summary

From State Fiscal Year (SFY) 2009-10 through SFY 2018-19, New York State spent an average of $9.8 billion annually on its capital needs – drawing on funds including taxes and fees, proceeds from long-term borrowing, federal aid, and monetary settlement funds. That figure is projected to rise to an average of $13.4 billion annually during the current five-year capital planning period from SFY 2019-20 through SFY 2023-24.

Transportation investments consistently represent the largest proportion of State capital spending, amounting to $46.6 billion over the decade ending in SFY 2018-19. While this accounts for 47.5 percent of total capital spending, the share devoted to transportation is projected to fall to 38.4 percent in the current five-year capital planning period. The bulk of this projected spending is for the State Department of Transportation, with smaller amounts for the Metropolitan Transportation Authority and other purposes.

Economic development is projected to receive 13.5 percent of total capital investments during the current five-year plan period, significantly higher than its 8.8 percent share during the previous decade. Other areas expected to receive increased shares of total capital spending include health, housing and education.

The State's use of different capital funding sources – borrowing, current State revenues, and federal funds – also fluctuates. From SFY 2014-15 through SFY 2018-19, the State relied less on debt to finance capital projects and more on currently available funds or "pay-as-you-go" expenditures (PAYGO), compared to the preceding five-year period (SFY 2009-10 through SFY 2013-14). Some of this increase reflects new monetary settlement resources. The FY 2020 Enacted Capital Program and Financing Plan (State Capital Plan) projects that public authority bonds ("backdoor borrowing") will be used to finance an increasing share of total State capital spending over the next five years, and will once again fund the majority of such spending.

This report, a follow-up to reports issued by the Office of the State Comptroller in March 2014 and November 2010, describes trends in the State's capital spending over the past decade, and projections for such expenditures in coming years. Other findings include:

- Bonds issued by public authorities are projected to finance 54.2 percent of spending in the current capital plan, compared to 48.5 percent over the last five years. Including General Obligation debt, 57.4 percent of capital spending over the next five years is projected to be funded through borrowing.

- Billions of dollars of debt has been issued to finance capital spending that will not produce an asset for the State. Some spending relates to economic development projects where a private business, nonprofit organization or other entity owns the asset for which the State has incurred such debt. In other instances, such borrowing may support local government assets. This practice produces debt liabilities for the State without associated assets, making it more difficult to assess and track the benefits of such investments in relation to their costs, among other implications.

Information in this report primarily reflects spending details from the FY 2020 Enacted Budget Capital Program and Financing Plan, and does not reflect the impact of certain bills passed at the end of the 2019 legislative session that would provide authority for spending nearly $1.3 billion in capital projects funds, and for borrowing a commensurate amount through State public authorities. How these additional authorizations may affect other planned disbursements is unclear. The First Quarterly Update to the Financial Plan, issued on August 13, 2019, reflects updates for certain high-level capital spending and debt information. However, a full delineation of impacts on the State's debt and capital spending outlook is not expected until the SFY 2020-21 Executive Budget is issued in January 2020. More detailed discussion of this appears later in this report.

Given the increasing scale and the importance of New York's investments in infrastructure, effective capital planning focused on the State's most pressing needs is essential to help assure that public resources are put to good use and that critical assets are well-maintained. By contrast, poor capital planning may lead to the waste of taxpayer dollars and the deterioration of essential infrastructure.

While the Division of the Budget (DOB) and other agencies publish some data on planned and actual capital investments, the State does not conduct comprehensive assessments of its capital assets, needs, and priorities to best target the billions of dollars it spends each year. Allocations of capital resources to competing purposes shift over time, for reasons that are not always clear. Once investments have been made, there is no thorough evaluation of how such spending affects the overall condition of State-funded capital assets. Without such measurement, it is difficult to gauge the State's return on its investment and to determine spending priorities going forward.

Comptroller DiNapoli has proposed reforms to improve how the State plans for capital investments to ensure that our critical infrastructure needs are met. These include the creation of a Capital Asset and Infrastructure Council charged with developing and implementing a comprehensive process to identify existing State assets, and to assess their condition. The Council would also create an annual comprehensive statewide capital needs assessment, including recommendations for prioritizing the planning and funding of the capital assets inventoried as well as to address future needs. The Council would further be charged with preparing a comprehensive 20-year long-term strategic plan to be updated every two years. In addition, the Comptroller's reforms would eliminate the use of off-budget capital spending, which inhibits transparency and accountability, and impedes the analysis of costs and benefits. Such steps are essential to ensuring that New Yorkers receive the best possible return on the billions of dollars invested in capital assets on their behalf.

II. New York’s Capital Planning and Maintenance Process

Preservation and enhancement of the State’s capital assets and infrastructure (including land, buildings, equipment, roads, bridges, dams, etc.) is essential. Aging, weak or inadequate infrastructure can place citizens’ safety at risk, degrade public services, jeopardize the State’s capital investments and undermine New York’s ability to create and retain jobs and maintain a viable tax base. By contrast, however, modern, well-maintained capital assets can contribute to a more robust economy and an enhanced quality of life.

Preserving and enhancing such assets requires effective capital planning, including:

- Maintaining consistent, current information on the condition of all capital assets.
- Establishing and following formal policies on asset maintenance, replacement cycles and future capital needs.
- Instituting policies on prioritization, funding and affordability that are based on appropriate analyses of needs and resources.

These components should be integrated to provide the foundation for both a multiyear capital plan and a long-term strategic capital plan. Under current law, the Executive includes a State Capital Plan with the Executive Budget and an updated Plan based on the Enacted Budget.[1] The Capital Plan is required to include a comprehensive assessment of the capital assets and program needs of all State agencies, and an analysis identifying how such needs would be financed. It must also include a summary of maintenance activities that are anticipated to be undertaken and a summary of scheduled maintenance requirements.

While the Capital Plan includes extensive data on planned spending and financing, neither it nor the State’s Financial Plan provides comprehensive information on existing assets (including asset condition), maintenance needs, planned replacements or expansions, or prioritization strategies. The planning and financing of capital needs, including those of the State’s public authorities, is not fully integrated or coordinated. There is no comprehensive public reporting of the assets the State already has, their conditions or the measures and estimated costs necessary to maximize their useful lives. Furthermore, the Capital Plan does not assess how funding priorities are established, nor how funding included in the Plan will affect the State’s current capital asset condition. Improvements are needed to establish better integration between State capital planning and funding decisions.

[1] See § 22-c, State Finance Law. The Law requires the Executive to submit the State Capital Plan concurrent with the Executive Budget and to submit an update of the State Capital Plan by the later of July 30 or 90 days after the enactment by the Legislature of all budget bills that constitute the budget. Section 23 of the State Finance Law states that “[n]ot later than thirty days after the legislature has completed action on the budget bills submitted by the governor and the period for the governor's review has elapsed, the governor shall cause to be submitted to the legislature the revisions to the financial plans and the capital plan required by subdivisions one, two, four and five of section twenty-two of this article as are necessary to account for all enactments affecting the financial plans and the capital plan.”

Current statutory requirements include no provision for coordinated, comprehensive long-term strategic planning, such as with a 20-year horizon, which would help the State assess its risks, needs, opportunities and funding options more effectively.

Each State agency is required to annually prepare a five-year assessment of its capital asset and maintenance needs, which is incorporated into the State Capital Plan.[2] However, five years does not provide an adequate planning window for assets that have significantly longer useful lives, such as bridges, roads and buildings. Inconsistencies in capital planning policies and practices across State agencies may also undermine the Capital Plan's usefulness. Helpful steps could include establishment of standardized approaches for agencies to assess the condition of their capital assets, consistent policies or guidelines for the development of annual agency assessments, and consistent standards that define and identify how to achieve a state of good repair.

When purchased or built, capital assets have an expected useful life that can be reasonably reached if all routine maintenance and needed repairs are performed on an ongoing basis. The State can avoid more costly repairs, early replacement of assets, and associated adverse financial impacts – along with potential safety risks – when capital assets are maintained in a state of good repair. However, the State does not have comprehensive standards to guide a determination of the state of repair for all its capital assets. The State must ensure that all capital assets are properly maintained, based on well-developed asset replacement cycles.

Recognizing the current shortcomings, in recent years the State has begun to take steps toward leveraging its Statewide Financial System to create a comprehensive inventory of its assets over a multiyear period. Building on such steps will be one welcome addition to New York's knowledge base regarding its capital assets.

To promote effective forecasting of capital maintenance needs and to establish goals that are related to State assets, State Finance Law requires the development of separate appropriations for each agency's capital maintenance activities.[3] However, provisions related to separate appropriations have never been fully implemented, and moneys for maintenance are often included along with those for other capital appropriations, such as new construction. As a result, it is difficult to understand how much will be spent by State agencies on maintenance, or how maintenance will be financed. Adherence to this statutory requirement could also enhance capital planning efforts.

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[2] State Finance Law § 14-b.

[3] Section 27 of the State Finance Law requires that each fiscal year, the budget submitted by the Executive shall contain separate and distinct appropriations, which may be lump sum appropriations, for scheduled maintenance activities.

III. State Capital Plan – Actual and Projected Spending

During the five years ending in SFY 2013-14, New York spent $45.4 billion from capital projects funds for all purposes, including both new assets and the replacement and maintenance of existing infrastructure.[4] For the following five-year period, ending in SFY 2018-19, the State spent $52.6 billion, an increase of $9.8 billion or 21.6 percent.[5] Of the $52.6 billion total in the more recent five years, $3.2 billion or just under 6.0 percent is considered off-budget spending. As has been the case historically, transportation projects represented the largest share of capital spending, accounting for 48.4 percent in the first five-year period, and 46.7 percent in the most recent five-year period.

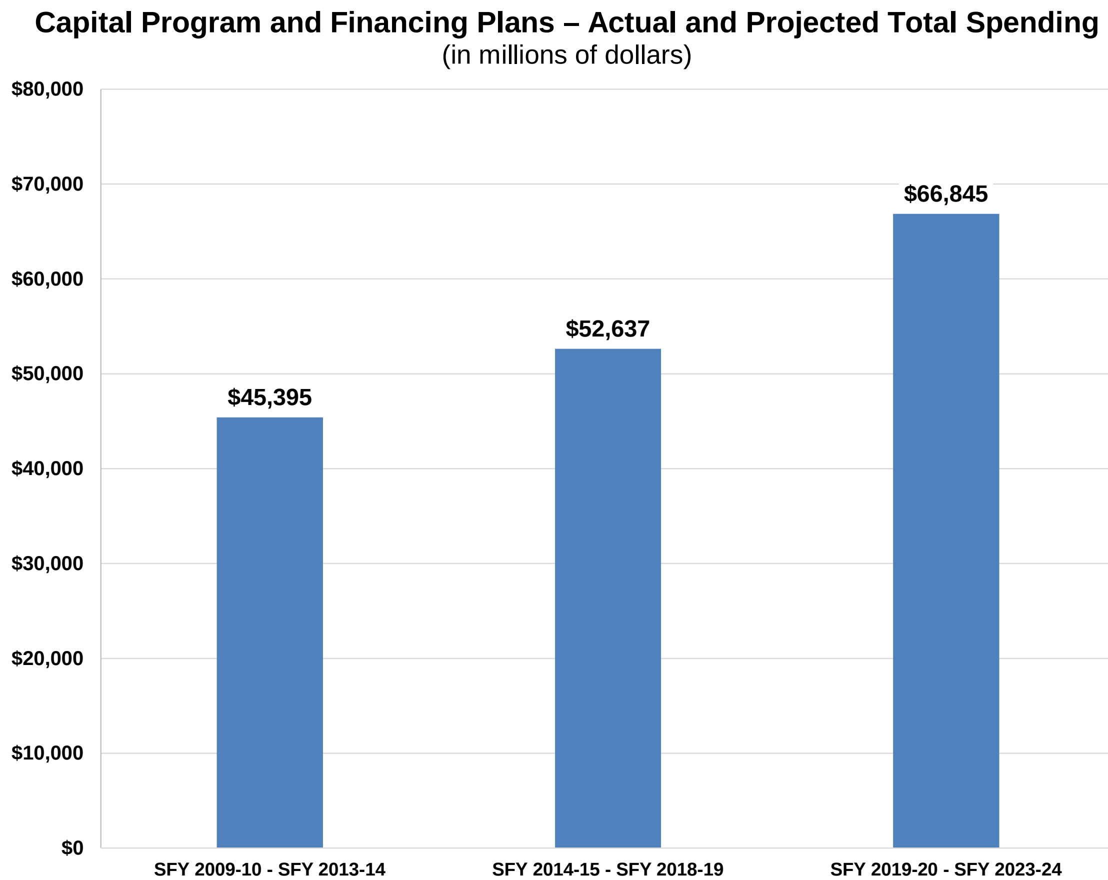
The SFY 2019-20 State Capital Plan projects $66.8 billion in spending through SFY 2023-24. While actual spending levels may vary from projections, the projected total represents an increase of $14.2 billion, or 27 percent. Major expenditures by category include $25.7 billion for transportation (38.4 percent of total spending), $9.9 billion for health, mental hygiene and social welfare (14.8 percent) and $9 billion for economic development (13.5 percent of the total).

Of this $66.8 billion total, $2.9 billion is "off-budget" spending, reflecting a decline of $181 million, or 5.9 percent, from the previous five-year period through SFY 2018-19. The decline in off-budget capital spending is largely related to the spending shifts for State University of New York (SUNY) dorms and the Consolidated Highway Improvement Program and the Marchiselli Program.

[4] Data in this report regarding actual State capital spending are from the Enacted Budget Five-Year Capital Program and Financing Plans from SFY 2000-01 through SFY 2019-20. Spending from capital funds may include certain spending for non-capital purposes. For example, in recent years, certain costs for various agencies have been shifted from operating funds to capital funds. While Office of the State Comptroller reports on enacted State budgets in recent years identify certain specific examples, quantification of all such expenditures is beyond the scope of this report.

[5] Capital spending referenced throughout this report includes "off-budget" spending. These are expenditures for State purposes that are not reported in total spending figures in cash budgeting, including the State's Financial Plan or in accounting documents. Such spending is related to certain capital programs funded by public authorities directly with bond proceeds. "All Funds" spending does not include off-budget capital spending. However, off-budget capital spending is reported discretely in the Financial Plan and in monthly cash reports to the Legislature. The Capital Program and Financing Plan does include off-budget spending; however, it is not discretely identified as such in the detailed spending figures.

Figure 1



Source: Division of the Budget
Note: The amounts for the two five-year periods from SFY 2009-10 through SFY 2013-14 and from SFY 2014-15 through SFY 2018-19 represent actual spending, while the amount for the five-year period from SFY 2019-20 through SFY 2023-24 reflects projections.

Figure 2 illustrates the share of total projected spending by category for the five-year period from SFY 2019-20 through SFY 2023-24 compared to the previous ten years.

Certain unspecified adjustments and spending included in the General Government and Other category may have the impact of understating or overstating the spending shares of other categories, making comparisons between categories less meaningful and introducing uncertainty regarding completion of planned spending for programs and projects in such categories within the specified time period.

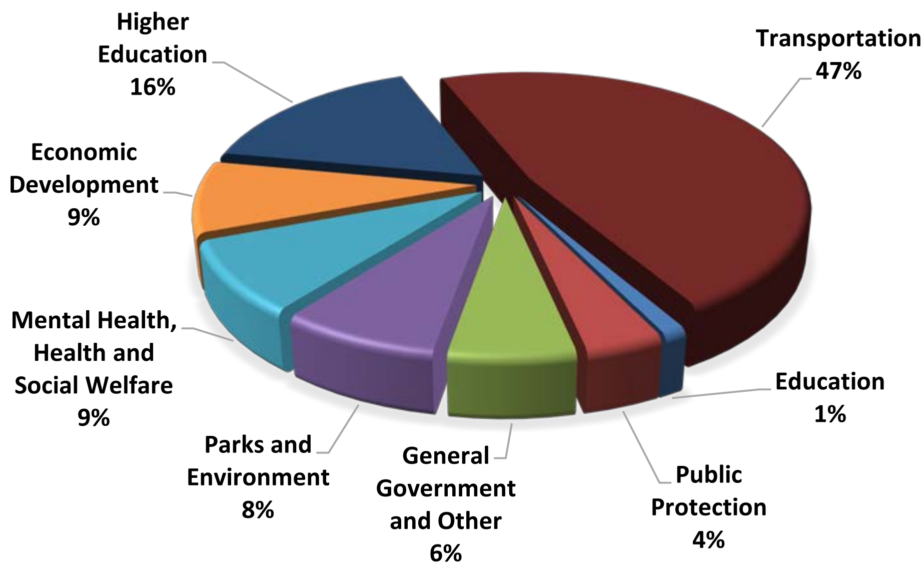
The General Government and Other category includes $1.6 billion in reductions referred to by the Division of the Budget (DOB) as "timing adjustments" not associated with individual agencies or projects in the State Capital Plan. According to DOB, such adjustments are calculated "based on observed variances in estimated and actual disbursements in prior years."[6] However, these adjustments may depress actual spending shares in other program categories during this time period, should such adjustments actually occur within these categories.

[6] Division of the Budget, FY 2020 Enacted Budget Capital Program and Financing Plan, Page 58, May 2019.

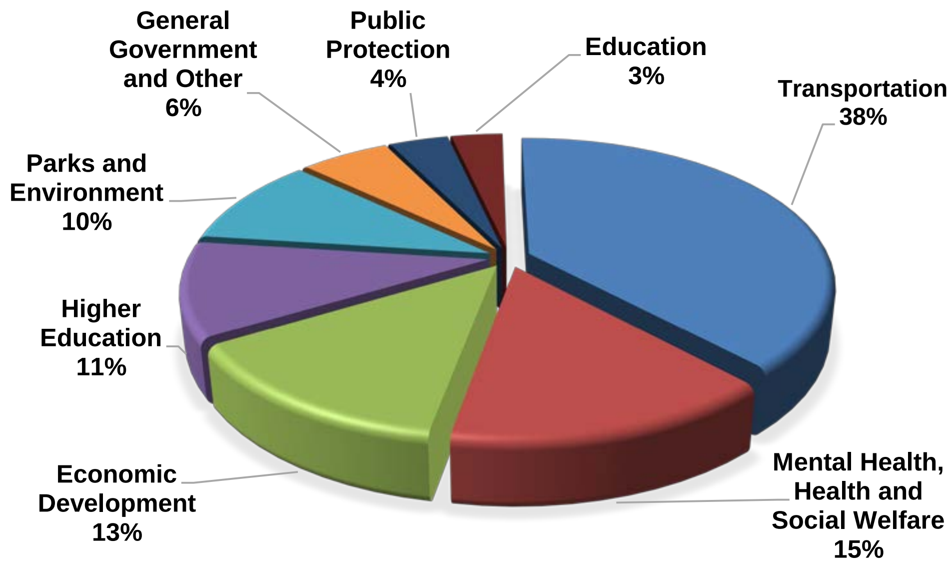
Figure 2

Capital Spending by Category – Share of Total
SFY 2009-10 through SFY 2023-24

Last Ten Years: $98.0 Billion



Next Five Years: $66.8 Billion



Source: Division of the Budget

The General Government and Other category includes spending from the Dedicated Infrastructure Investment Fund (DIIF) and the State and Municipal Facilities Program (SAM). Both DIIF and SAM include some spending for programmatic purposes represented by other categories, such as transportation. For example, $1.7 billion was spent from DIIF for Thruway Authority purposes between April 2015 and March 2019, and DOB anticipates $375.9 million in DIIF spending will support the Thruway over the current State Capital Plan period. In addition, another $410.4 million is anticipated to be used for various hospital and other health care capital projects.

Although Transportation comprises the largest share of total projected capital spending over the next five years, at $25.7 billion, its 38.4 percent share represents a decline from the share of 47.5 percent over the last ten years. The Economic Development category will see its share of total spending rise significantly, from 8.8 percent of spending to a projected 13.5 percent in the current Plan. Capital projects fund spending for the Economic Development category is projected at $9 billion during the current five-year period, the third highest level of all program categories after Transportation and Mental Health, Health, and Social Welfare.

Debt-Financed Spending that Does Not Create a State Capital Asset

As previously noted, capital spending is generally related to the creation or maintenance of a capital asset. Some State assets can have long useful lives which may benefit multiple generations of New Yorkers. Therefore, it typically is reasonable to spread the costs of such assets over a long term with the use of debt financing for a portion of total capital plan needs. However, certain capital spending does not provide the State with any asset; in some cases, such expenditures are financed with State-Supported or State-Funded debt. Such spending may pay for local assets such as roads, bridges, housing, sewer and water facilities or public schools. In other cases, nonprofit organizations such as hospitals and those that care for individuals with disabilities receive capital grants. State funding may also benefit private businesses under the rubric of economic development.

Use of debt in this manner produces long-term liabilities for the State without associated assets, making it difficult to assess and track the benefits of these investments in relation to their costs, among other implications. For example, the return on investment for economic development projects can be particularly difficult to assess. Without the intergenerational benefit of underlying State assets being offset by the long-term liabilities, the use of debt financing for certain purposes may raise concerns similar to those related to borrowing for operating purposes. In addition, the use of debt for purposes that do not result in a capital asset related to State governmental activities has a negative effect on the State's net financial position as measured by generally accepted accounting principles (GAAP).

Capital spending as reported in the Capital Plan represents either spending within the State budget from capital funds (one of the four fund groups making up All Governmental Funds), or off-budget spending by public authorities directly from State-Supported bond proceeds. In the following discussion, only on-budget spending from capital funds is considered. Spending within capital funds includes local assistance grants. Since off-budget spending is not reported with other spending in governmental funds, it is not possible to determine if it includes local grant funding. In SFY 2018-19, of the $12.3 billion spent from capital funds, $5.2 billion or nearly 43 percent was for local grants. Such grants include not only those made to local governments, but those made to private businesses and nonprofit organizations, as well.

Generally, local assistance grants represent an increasing share of all capital spending, rising from 20.2 percent in SFY 2009-10 to 42.7 percent in SFY 2018-19. DOB projects this percentage will decline over the current capital plan period, but remain significantly higher than a decade ago.

Post-Budget Appropriations

Both Houses of the Legislature passed bills at the end of the 2019 legislative session that will affect the State's Financial Plan as well as the Capital Program and Financing Plan. These bills provide additional authority for spending nearly $1.3 billion in capital projects funds, and for borrowing a commensurate amount through State public authorities.[7]

While post-budget adoption of certain appropriations and borrowing authorizations is not unprecedented, the scale of such actions at the end of the 2019 session is unusual in recent history. Approval of such spending outside the budget process leaves unclear whether or how these authorizations may affect other planned disbursements. DOB has reflected summary high level estimated costs and debt impacts from the additional capital authorizations in the First Quarterly Update to the Enacted Budget Financial Plan. However, a full picture of the impacts of these actions on the State's debt and capital spending outlook will not be available until the SFY 2020-21 Executive Budget is issued in January 2020.

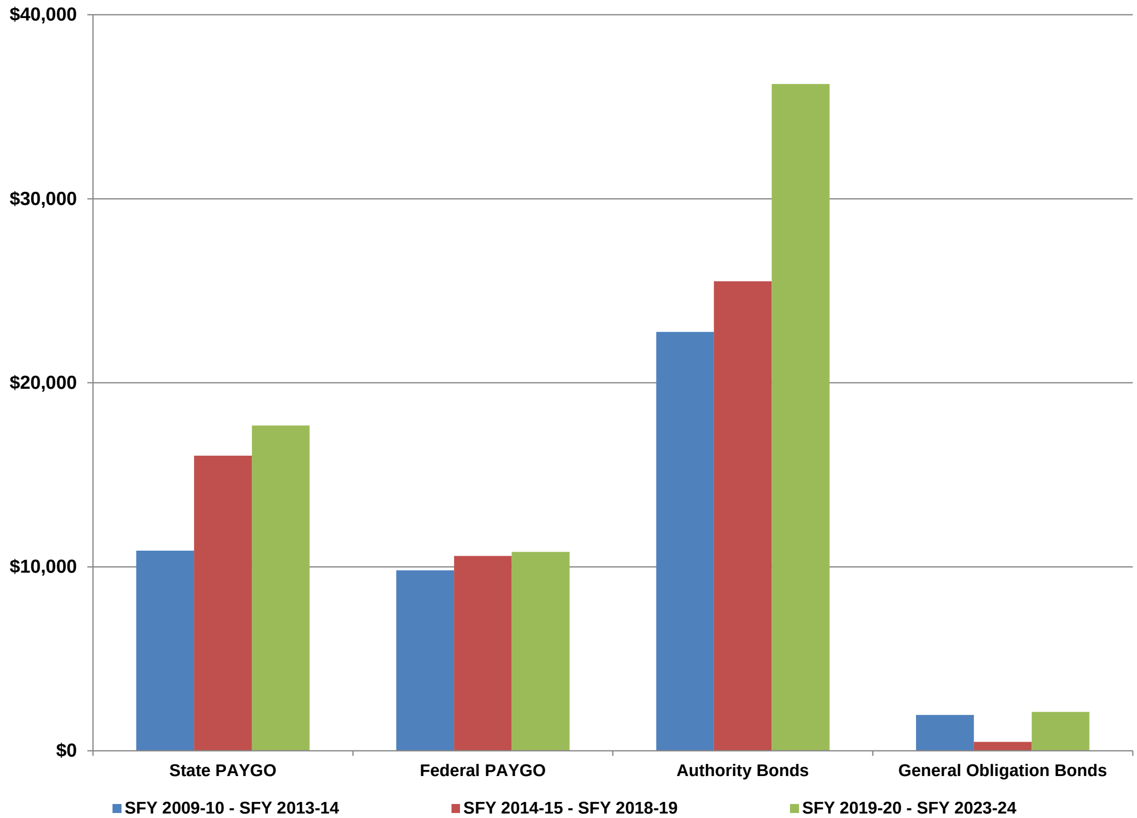
[7] See A.8433/S.6615, which includes the new State-Supported bonding authorizations as well as certain other changes. This bill was approved by both houses of the Legislature on June 20, 2019 and signed by the Governor on June 24, 2019 (Chapter 39, Laws of 2019). The bill containing the new capital projects appropriations, A.8434/S.6616, was approved by both houses of the Legislature on June 20, 2019. However, as of August 28, 2019, it had not yet been sent to the Governor.

IV. Funding for the State Capital Plan

Four major sources of funds support New York's capital spending: voter-approved General Obligation bonds; non-voter-approved bonds issued on behalf of the State by public authorities (commonly referred to as backdoor borrowing); State-sourced current resources (cash), otherwise referred to as pay-as-you-go (State PAYGO); and federally-sourced current resources (Federal PAYGO). The mix of financing sources can fluctuate dramatically depending on economic conditions and budgetary priorities, as shown in Figure 3.

Figure 3

Capital Program and Financing Plan – Actual and Projected Financing Sources SFY 2009-10 through SFY 2023-24
(in millions of dollars)



Sources: Division of the Budget, Office of the State Comptroller
Note: The amounts for the two five-year periods from SFY 2009-10 through SFY 2013-14 and from SFY 2014-15 through SFY 2018-19 represent actual spending, while the amount for the five-year period from SFY 2019-20 through SFY 2023-24 reflects projections.

From SFY 2014-15 to date, the State has received more than $12.7 billion in monetary settlements from various financial and other institutions. Between SFY 2015-16 and SFY 2018-19, a total of $4.1 billion has been spent from settlement dollars from capital funds. DOB expects to spend an additional $4.0 billion from such resources through the end of the Plan.

Over the last five years, State PAYGO rose to 30.5 percent of total capital spending, an increase of 6.5 percentage points from the preceding five-year period. This is largely attributable to the use of monetary settlement funds for capital purposes. Without the expenditure of $4.1 billion in settlement resources, the State PAYGO share would have been 24.5 percent, just marginally above the preceding five-year period.

Over the current five-year Capital Plan period, State PAYGO, including spending financed with settlement resources, is anticipated to comprise 26.5 percent of total capital spending; without monetary settlement resources, State PAYGO would be 20.9 percent of total capital spending, below the level of 24.0 percent from the SFY 2009-10 through 2013-14 period.[8]

New York's use of current resources (State PAYGO and Federal PAYGO) to finance capital projects has varied greatly over the last several decades, ranging from over 54.1 percent of its capital program in 1985 to a low of only 10.2 percent in 1991. For the recent ten-year period from SFY 2009-10 through SFY 2018-19, on average, the State used cash (including federal resources) for 48.3 percent of its capital program, with 27.5 percent coming from State resources.

Over the last ten years, 51.7 percent of capital spending was financed through borrowing, with the great majority (49.2 percent) financed through non-voter-approved public authority bonds and the remainder with voter-approved State General Obligation bonds.

From SFY 2009-10 through SFY 2013-14, 50.1 percent of the $45.4 billion in capital spending was financed with public authority bonds. That proportion declined during the succeeding five years to 48.5 percent, but is projected to rise to 54.2 percent with the current Capital Plan.

Spending financed with voter-approved General Obligation bonds declined from 4.3 percent of total spending in the first five-year period to 1 percent in the second five-year period, and is projected to average 3.2 percent of total capital spending in the current Plan period.

Over the last five years, the share of total capital spending supported by State PAYGO increased, compared to the previous five-year period, as bond financing declined. While Federal PAYGO was relatively unchanged as a percentage of total capital spending, its share is projected to decline over the life of the current State Capital Plan.

Explicit consideration of the larger budgetary picture, both current and future, should be one factor in the determination of the level of PAYGO or debt financing. Debt can appropriately be used to support capital investment activities across business cycles, while also striking a balance to spread the cost of an asset over its long-term life cycle ("intergenerational equity") and other appropriate factors. These factors include asset life cycle costs, which may drive the need for additional borrowings, with resulting impacts on current and future capital plans and operating budgets.

Statutory limits on State-Supported debt outstanding and on related debt service obligations will also continue to impact decisions about annual borrowing levels. As a result, these limits

[8] The State PAYGO and other funding shares without settlement resources assume total spending for capital projects would be lower by $4.2 billion in the SFY 2014-15 through SFY 2018-19 period and lower by $4.7 billion in the SFY 2019-20 through SFY 2023-24 period.

may ultimately affect the overall level of capital investment as well. The State's remaining capacity for outstanding debt is projected to decline to $415 million by the end of the current Capital Plan.[9] Despite this, bond financing is projected to be the largest funding source during the current plan period, at 57.4 percent, up from 49.4 percent over the last five years. Setting an appropriate balance between debt and PAYGO financing is critically important to ensuring that the State can continue to access the necessary resources to finance its capital needs.

Maintaining infrastructure and other capital assets is by definition a continuing process, best addressed from a multiyear perspective. During downturns in the economy when revenue collections fall, the State's responsibility to sustain essential infrastructure investments remains in place along with other spending priorities. A focus on capital spending during economic downturns may be desirable for two reasons. First, public construction costs may decline in response to economic recession or stagnation, as evidenced by indicators such as the National Highway Construction Cost Index published by the Federal Highway Administration. When costs are lower, a given level of governmental expenditure results in additional work accomplished, all other factors being equal. As the economy improves, additional revenues should be used to pay down debt and/or increase PAYGO financing. In addition, capital expenditures help support business activity and employment when the economy is less strong.

In spite of the recent use of settlement funds and declines in State-Supported debt, the State has a significant debt burden and expects limited statutory debt capacity in the future. Available debt capacity is anticipated to remain constrained, and to decline considerably during the current five-year Plan period.

[9] Division of Budget, FY 2020 First Quarterly Update, Page 46, August 2019.

V. Conclusion and Recommendations

Over the past decade, New York State spent an estimated $98 billion in capital funds – an average of about $9.8 billion annually. That substantial level of investment is projected to grow sharply over the current five-year Capital Plan period, with average annual spending anticipated to increase to $13.4 billion. Clearly, the State faces significant needs for infrastructure investment in areas including mass transit, roads and bridges, and public water facilities, among others.

However, the State's capital planning process includes significant gaps that raise questions as to whether these billions of dollars are being invested in our highest-priority needs and spent as cost-effectively as possible. Further, those billions of dollars in additional spending may not fully address the State's requirements for capital investment. For instance, the State has agreed to contribute in excess of $8 billion to the Metropolitan Transportation Authority's 2015-19 capital program, but has not yet identified the sources of funding for the vast majority of that commitment.

While State Capital Plans contain significant amounts of information, they historically have provided very little insight regarding the condition and maintenance needs of existing assets. Without this information, it is not possible to determine the best and most efficient ways to use the limited resources that are available to maintain New York's aging assets, and to create much-needed new infrastructure.

Significant steps are needed to ensure that the State's capital dollars are spent on the most critical needs and in the most responsible manner. Comptroller DiNapoli has proposed a package of common-sense reforms to improve how the State plans for and finances its capital investments.

The Comptroller's plan calls for the creation of a Capital Asset and Infrastructure Council charged with developing and implementing a comprehensive process to identify and assess the condition of existing State assets. This process could also include local assets which receive a significant amount of State funding. Uniform criteria and procedures would be developed for use in conducting inventories and assessments of capital assets, including establishing formal standards for defining their state of good repair and replacement cycles, as well as standards requiring clear justification for proposed new capital investments or expansions. The Council would consist of five members appointed by the Governor, including three members appointed on the recommendation of the Temporary President of the Senate, the Speaker of the Assembly and the Comptroller. It would be charged with making recommendations including:

- better prioritizing the planning and funding of capital asset investments;
- ways to ensure that State agencies and public authorities, and certain local government entities, replace assets on regular schedules according to reliable estimates of their useful lives; and
- promoting the most cost-effective use, and maximum return on, investments in capital assets.

The Council would produce an annual comprehensive statewide capital needs assessment, as well as a 20-year long-term strategic plan to be updated every two years. The long-term strategic plan, intended to serve as the foundation of the State's capital planning, would be based on the capital needs assessment, with interim goals and benchmarks. The strategic plan would be the foundation of the State's capital planning process. It would assist policy makers in identifying and allocating limited resources for the capital projects that are most critical, and assessing how projected funding would impact asset conditions. The State's Five-Year Capital Program and Financing Plan, along with the budget's capital appropriations, would be required to derive from the long-term strategic plan and to justify any deviations from it. In addition, the Comptroller's proposed reforms include elimination of off-budget capital spending to enhance transparency and accountability.

These recommendations provide a framework for improved capital planning. New York faces the ongoing challenge of preserving and enhancing its infrastructure and other capital assets while also funding current services and holding taxes, charges and fees to affordable levels. Effective capital planning is essential for ensuring that infrastructure investments are targeted where they are most needed, and that funds are used as cost-effectively as possible.

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