

# NEW YORK, NEW YORK

## Building New York City's Fiscal and Economic Future



STATE OF NEW YORK  
MARIO M. CUOMO, Governor

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## INTRODUCTION

New York City today faces challenges to its future more serious than any in decades.

During the past few years, drugs, AIDS, homelessness, infrastructure deterioration, a health care crisis and burgeoning crime have all put tremendous demands on our resources. At the same time, the bottom has fallen out of the nation's economy. New York, like cities, counties and states around the country, continues to suffer the profound effects of the national recession.

Those of us who love and value the Big Apple -- what it has meant to us, and what it can mean to generations to come -- now must come together to respond aggressively and effectively. We know we can because we've done it over and over in the past.

And we know that if we New Yorkers do not meet the test it will not be done for us.

It is regrettably true that no state or city alone has the ability to reverse a national recession.

Total recovery will occur only if the federal government acts to stimulate economic growth nationwide.

But, we cannot wait for Washington.

Washington's continuing failure to act only heightens the State's and City's obligation to do what we can for ourselves.

New York State understands that, and we have responded by forging a closer bond with the City than most states have with their largest cities, closer even than past State administrations. While Washington reduced federal aid to New York City from nearly 20 percent of its budget in 1980 to just 11 percent today -- a difference that amounted to a loss of \$2.7 billion to the City this fiscal year -- New York State has maintained its commitment, nearly doubling State aid to the City over the past nine years.

There are obvious, tangible reasons for the State to take a special interest in securing New York City's economic future. More than half the State population lives in the New York metropolitan region. The City is home to two of the world's largest stock exchanges, the Commodity Exchange and more Fortune 500 companies than any other city in the country. When New York City suffers economic distress, the repercussions are felt in Long Island, in Westchester, in Rockland, in Orange, in the entire State.

To help strengthen the City is to help all of New York grow stronger.

But there is a compelling reason for our interest that goes beyond dollars and cents. New York City is one of the greatest cities in world history. It has been the gateway for ten generations of immigrants from all over the world. New York is the source of many of this country's new ideas and much of its business activity. It is one of the cultural capitals of the

world. New waves of bright, eager, productive people continue to flock here, in the hope that New York will recreate for them the miracle experienced by our own forbearers.

We have an obligation to the State -- indeed, to the nation -- to preserve and enhance New York's greatness, so that new dreams can be fulfilled. To do that we need new, even more aggressive and dynamic cooperation between the City and the State -- between the private and the public sectors.

To some extent we did that successfully in 1975 when the city faced a fiscal crisis. We need to accomplish even more now. Establishing fiscal stability in the City's budgets as we did in 1975 will not be enough to keep the City strong and growing and competitive in the tough, global rivalry for markets and economic investment.

We need an action agenda that embraces two goals: bolstering the City's fiscal condition and strengthening the economy upon which the City's future rests.

Mayor Dinkins is now leading the effort to create and to realize such an agenda and he is doing it with extraordinary commitment and courage. I offer these proposals as part of our partnership with him. On the other hand, I wish to make it clear that this document is not intended to be a "State of the City." The proposals I offer do not purport to deal with all the ramifications of City life. They deal with just two separate but related elements: the fiscal and economic health of the City -- two elements without which nothing else can be accomplished, and upon which everything else depends.

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## MEETING THE CHALLENGE

New York City's need for health care, police protection, education and other vital services will not decline in the near future: the needs and the costs will, in all likelihood, outpace the revenues that the City collects to pay for them. Nor is it realistic -- despite our insistent and justified pleas -- to expect the federal government will suddenly right its course and give the struggling cities and states the help they deserve.

That leaves New York City and the State with only one practical alternative: We must reduce costs by restructuring government, by easing mandates, and by finding new ways to deliver services less expensively and more effectively.

Once that is accomplished, we must move on to make intelligent investments in the programs and infrastructure that real economic growth and a healthy City require.

## THE FISCAL AGENDA

**The State's first step must be to help the City achieve long-range fiscal stability.**

This past summer the City was able to adopt a balanced budget on time over formidable obstacles. Mayor Dinkins and the City Council successfully closed a gap of \$3.5 billion. The State assisted by passing mandate relief proposals that should save the City as much as \$345 million this year, and approving \$335 million in new revenues requested by the City.

Despite the Mayor's and the City Council's good work, significant fiscal challenges remain. The future of the City depends on its ability to achieve recurring budget balance. In the context of the recession's stultifying effect on revenues, the exploding growth in social costs, and Washington's abandonment, this will not be easy. It will require intelligence, sacrifice and collaboration of all the principal interests -- the City, the State, the Municipal Employee Unions, the Municipal Assistance Corporation and the private sector.

The Mayor has shown the way. In his stirring speech to the people of New York on July 31 he pledged a "Reform and Renaissance" of the City government -- a fundamental restructuring of the government and the services it delivers.

The Mayor and I have agreed that the City will devote itself to designing cost-reducing structural changes in its own government. For our part, the State will propose structural changes in programs in which the State is involved, or in which it has particular influence. I have made the same commitment to our State Legislature.

Now, as the Financial Control Board begins public review of the City's four-year plan and as work begins in Albany among the joint Task Forces the Legislative Leaders and I created to concentrate on key areas, it is appropriate for me to provide specific proposals and suggestions.

I recommend the following fiscal measures:

- \* The State should assume the entire cost of Medicaid now being borne by localities, including New York City, by the end of the decade. The City should provide the revenues from its personal income tax to the State to help offset the cost of the takeover. This will result in net savings to the City of more than \$1.0 billion annually. Other localities should provide revenues from their sales tax to help offset the cost of the pick-up. This will result in a net savings to these localities of nearly \$600 million;
- \* The State should enact additional mandate relief to save the City millions of dollars annually;
- \* The City should be allowed greater flexibility in managing its finances to increase the opportunities for further savings;

- \* The State should reform our distribution of education aid to address the inequities that have left our most troubled schools disadvantaged, including those in New York City;
- \* The State and City should jointly work to pool resources and management operations to generate savings whenever possible and reduce the duplication of services. This should bring greater coherence to criminal justice services, health care, and other areas of overlap through realistic consolidation and efficiency measures, and;
- \* In addition, MAC can play a key role in helping the City achieve long-term fiscal stability. I will work with both the City and MAC to assist the City to achieve the structural balance necessary for securing new MAC funds.

**BUILDING THE CITY'S ECONOMIC FUTURE**

While stabilizing the City government's finances is an essential first step in securing its long-term fiscal health, structurally balanced budgets alone do not guarantee that the City's needs will be met. We must do all we can to stimulate economic activity in New York City and revitalize the business environment.

The urban landscape of New York City is a constantly evolving canvas of capital projects that stimulate economic activity and inject wealth into the City while creating the housing, transportation infrastructure and commercial base necessary for the City's full development.

Our record of making needed public investment and attracting private investment for massive capital projects is already extensive, and our successes are considerable. Over the past eight years, New York has committed about \$50 billion in capital investments around the State. In New York City those investments have made a dramatic contribution to the economic stream.

- Our investment in MTA capital improvements over the 1980s resulted in the \$16 billion renovation and modernization of the City's subway system, generating 15,000 jobs and \$19.5 billion in economic activity for the City in the process;
- Battery Park City, a \$2.0 billion complex, provides at least \$25 million in revenues annually to the City, in addition to having created a new and thriving neighborhood in lower Manhattan;
- The 42nd St. redevelopment project, which involves new construction, revitalization of the City's theater district and renovation of the Times Square subway station, will create 16,000 construction-related jobs and approximately 23,000 permanent jobs in the redeveloped area;
- Construction of the facility to house the commodities exchanges, COMEX, financed through a joint State/City package of incentives, will retain more than 11,700 jobs, and annually generate about \$102 million in City and State tax revenue combined. This \$450

million construction project will create an estimated \$200 million in economic activity and over 4,000 construction related jobs;

-- The Harlem International Trade Center, scheduled to begin construction later this year, is a \$150 million project that could generate up to 1,500 construction and permanent jobs in the Harlem community, and;

-- The City's two Centers for Advanced Technology, funded at up to \$1 million per year each, are in the vital sectors of Computers and Information Systems at Columbia University and in Telecommunications at Polytechnic University in Brooklyn.

Now we need to do more.

We must continue building. We cannot allow the hard times of recession to thwart our ability to make the investments that can secure our recovery. Nor can we allow recessionary gloom and despair to undermine the confidence we need to accomplish our goals.

Despite the recession, we still have tremendous capacity available to us.

Indeed, committing to dramatic, new productive construction is perhaps the best anti-recession device available to the State at this moment. Capital investment now can help strengthen our private economy for the future, while swiftly pumping many billions of dollars into the economy in the form of jobs and investments. Capital projects are also tangible examples of New York's enduring strength and vitality that any citizen of the City will be able to see and feel.

The building program I describe here will constitute one of the largest economic revitalization programs ever devised in the State's history.

It includes transportation and capital investments to build the infrastructure, and housing and commercial opportunities essential for the City's future development. It will generate tens of thousands of jobs and billions of dollars in new economic activity.

It will involve major capital projects, costing over \$7 billion. It will create 25,000 permanent jobs, 54,000 construction related jobs and generate an estimated \$8.2 billion in economic activity.

These capital proposals include:

- \* Development of a high-tech transit system to provide direct public rail access between Kennedy and LaGuardia airports and our commuter rail and subway systems.
- \* Construction of the critical Oak Point rail freight link to connect the New York metropolitan area and Long Island to the rail freight system of the continental United States.

- \* **MTA Capital Program projects to modernize public transportation facilities, increase capacity, reduce congestion and augment our critical public transportation network.**
- \* **Creation of an Urban Development Corporation subsidiary, "Queens West," charged with accelerating the development of the massive Hunter's Point commercial and residential project on 74 acres of prime waterfront property in Queens.**
- \* **Expediting the Riverside South project to transform Manhattan's largest vacant site into a huge residential and commercial neighborhood with a new network of roadways, waterfront parks and complete urban infrastructure on Manhattan's West Side.**
- \* **Vital support with New York City for the New York Public Library's new, high-tech Science, Industry and Business Information Center in mid-town Manhattan, to provide an information mecca for businesses and industry around the country and around the world.**
- \* **Incentives to promote high-speed ferry service as a transportation alternative in and around the metropolitan area.**
- \* **Acceleration of capital spending for road and bridge projects using savings realized from lower than expected bids.**

**This agenda will alter the face of the City landscape for the next century. It will accelerate and improve the movement of people, goods and services through the New York City area; it will turn underutilized and unproductive land into vibrant communities; and it will pump billions of dollars into the City's economy and create tens of thousands of new jobs.**

**Each of these proposals by itself would be a major accomplishment. Together, they will constitute a truly remarkable achievement.**

**To get it all done we will need strength, renewed commitment -- and a little luck. But most of all we need cooperation; from the State and City governments; from the public and private sector; from New Yorkers who live in the City, and from New Yorkers who have never been there, but who know that a strong Empire State depends on the vitality of its largest city.**

## I. FISCAL AGENDA

### 1. MANDATE RELIEF

Local governments across the State will save millions of dollars through the historic measures enacted this year to curtail or eliminate State mandates. Changes in Medicaid, Income Maintenance, criminal justice, early retirement, local finance and special education mandates should save New York City as much as \$345 million this year.

Now we need to do more.

#### A) Medicaid Reform

One of the heaviest fiscal burdens on New York City -- and the counties outside New York City -- is the cost of health care. Local Medicaid expenses are projected to grow at an average annual rate of more than 12 percent over the balance of the decade, making the program one of the fastest growing components of local budgets in New York State. Without the implementation of cost containment strategies to curtail this growth, the local share of Medicaid could exceed \$7 billion statewide by the year 2000. Today it is about \$2.8 billion.

Under current State law, counties and the City of New York are responsible for financing 50 percent of the non-Federal share of most Medicaid services. The State has taken significant steps to reduce Medicaid costs to local governments, most notably through an increase in the State share of payments for long-term care -- a step which has saved more than \$4.2 billion for local governments. New York City's share of those State-generated savings amounts to \$2.4 billion. Even after these savings, current costs to the City for Medicaid still exceed \$2 billion per year.

Local officials contend that Federal and State control over benefit levels and reimbursement rates severely limit their capacity to control costs. They also argue that the State, with its broader tax base, is better able to finance this program. I have always agreed. State assumption of Medicaid could bring greater consistency and uniformity to the management of the program, and increase opportunities for achieving cost savings by streamlining administrative functions, managing client access and utilization of services and coordination with other State programs.

The State, however, is clearly in no position to absorb the total local share of Medicaid costs of \$2.8 billion. As a practical matter, unless additional revenues are made available, or cuts are made in other State program areas, assumption of substantial local Medicaid costs will not be immediately possible.

In the current economic climate, an increase of that magnitude in State tax revenues or the equivalent in cuts to State programs would be harmful. The City is aware of this and the Mayor has stated so publicly. The suggestion has been made by the City that the State consider

a swap of Medicaid relief for a share of the City's revenues. I agree that this is a reasonable approach.

State takeover of local Medicaid would alter significantly financial and administrative relationships and policies that have existed over a long period of time. Accordingly, it will require careful planning and can only be accomplished successfully if it is carried out through a sequence of events designed to assure financial and program stability during the transition period and thereafter.

**Proposal:**

I recommend that New York State gradually assume the entire Medicaid burden now paid by the City and counties while concurrently retaining a portion of local tax revenues.

Such a plan will require enactment of an aggressive cost containment program next year, incentives to encourage the timely development of managed-care programs and State assumption of selected local tax revenues on a phased basis.

Implementation of meaningful cost containment measures in the first two years will be an essential step to provide the State with the tools necessary to control program growth. If properly designed and promptly implemented, localities could begin achieving some cost containment savings in 1992-93 and will realize a full annual savings of up to \$150 million in local Medicaid costs in State Fiscal Year 1993-94.

Managed care is a cost effective alternative to the current fee-for-service system. Although establishment of these programs is authorized already, I propose to accelerate State financing of these services to encourage their rapid development and utilization, which could save local governments more than \$800 million over six years. My proposal calls for the State to assume 50 percent of these local costs in SFY 1993-94, increasing to 100 percent over the next few years.

Assumption by the state of local Medicaid costs for also has important implications for how the Medicaid system is best administered. Clearly there would be certain benefits from having the State take over administration of the program. By assuming the administration of the Medicaid program, the State could manage the program more uniformly; could save money by streamlining its administration and by delivering services to clients more efficiently; and better-coordinate Medicaid benefits with other State programs. The complexity of such an administrative shift demands careful analysis and study. As part of this takeover plan, I recommend the formation of a group of experts -- representing the State and local governments, as well as the private sector -- to recommend how the administration of the program should be structured.

The incremental assumption of local program costs would mean that the State would have complete fiscal and program responsibility for the Medicaid program by the end of the phase-in. At the same time that the State is assuming local program costs, the State would

also begin to retain an increasing share of New York City personal income tax revenues and gradually up to one percentage point of sales tax revenues in the other counties.

Since Medicaid costs are expected to increase at a faster rate than the local revenues that would be retained by the State, the State would relieve local governments of a significant burden through this proposal. Based on current projections, net savings to local governments would amount to over \$1.6 billion by the year 2000, of which net savings to the City would exceed \$1.0 billion per year.

I will offer the specifics of my proposal for such a phased takeover to the joint Executive/Legislative Task Force on Medicaid and Welfare Reform that I and the Legislative Leaders recently created. The Task Force is developing recommendations for structural changes in Medicaid for inclusion in my State of the State and Executive Budget for the coming year, reflecting one element in a wider effort by the leaders and I to combine our resources and ideas in several key areas. In addition, I look forward to discussing the proposal with the Mayor and other local government officials.

State takeover of local Medicaid costs will only be feasible if it is predicated upon aggressive cost-containment measures. The success of cost-containment would be strengthened greatly by a restructuring of the Health and Hospitals Corporation (HHC), over which the City has exclusive jurisdiction.

Under its current fiscal structure, the City subsidizes HHC for unreimbursed care, and covers the Corporation for annual operating losses. For 1991-92, City tax levy support for HHC is estimated to be \$262 million.

With the City of New York providing deficit financing, there are few incentives for HHC management to increase revenues or cut costs. As HHC's strategic plan notes, "The City's method of funding HHC now runs counter to and insulates HHC from the financial incentives which govern the larger health care system."

In a spirit of cooperation, I will encourage the City to restructure its financial relationship with HHC. Changing the manner in which HHC is reimbursed for uncompensated care would provide incentives for improved efficiency, would increase third party revenues in HHC facilities and help remove current barriers to full implementation of cost containment.

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#### **B) Additional Mandate Relief for New York City**

I have directed my staff to form an intergovernmental working group with New York City and other local governments. They will report to me by December 15, 1991, with recommendations for additional financial and regulatory relief for local governments. These recommendations, together with the important work of the recently created,

Executive/Legislative Task Force on local government and mandate relief, will form the basis for a comprehensive package that I can include in my 1992 State of the State message.

However, it is already clear from our discussions with representatives of local governments since the recession began, that we must pursue these areas vigorously:

- We must repeal the Wicks law, which requires multiple contractors for any construction project costing more than \$50,000. The legacy of the Wicks Law has been cost overruns and construction delays caused by the inability of the State and local governments to appoint a general contractor on construction projects. Repeal of Wicks would translate into significant capital savings for New York City;
- We must allow localities to buy "wrap-up" insurance. Which insurance consolidates coverage for construction projects under one policy instead of requiring each contractor to buy a separate policy. This would give New York City greater control over its insurance costs and coverage, lowering premium costs by spreading the risk;
- We must better serve preschool children who need special education, yet hold down costs, which have risen 47 percent during the past two years. The City can expect to have more 3- to 5-year-old children needing special education in the future, an outgrowth of the AIDS and crack epidemics. We must:
  - Authorize New York City to waive bidding requirements for transportation services with appropriate State approvals.
  - Refine eligibility criteria to allow school districts to help children with less-severe needs through referrals to family physicians or to school programs other than special education, as appropriate.
  - Expand itinerant services to include more services to children in their homes, day care centers and Head Start programs.
- We must also pursue the mandate relief requested by New York City last year and not achieved in the legislative session. This includes numerous items in the areas of Housing, Criminal Justice and Licensing. Elimination of Wicks and the use of "wrap-up" insurance have already proven effective at the New York School Construction Authority, and could save the City as much as \$200 million annually in capital costs. Special education changes could save the City as much as \$40 million annually in operating costs. Changes requested by the City and not achieved in the last legislative session could save about \$30 million.

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## 2. FINANCIAL MANAGEMENT

We can help the City, other local governments and school districts save money through the following actions:

### A) Authorize Level Debt Service for Serial Bonds

I propose a constitutional amendment to allow the City as well as other localities and school districts to issue general obligation bonds in a structure that produces level debt. This would save the City money, extend its range of financing possibilities and complement its current debt structure.

"Level debt service" is similar to a home mortgage, which allows for equal payments throughout the life of the loan. Right now, the State Constitution requires local government and school district bonds to be retired in relatively equal installments of principal; the amount paid in any year cannot exceed the smallest prior payment by more than 50 percent. Therefore, total payments in the first few years are much higher than in the final years, because the interest costs are calculated on the outstanding principal. The uneven payment schedule creates an excessive burden on today's taxpayers.

A constitutional amendment requires the approval of two successive legislatures and then the voters. A proposal could not be put on the ballot before 1993. If approved, the City could begin to realize savings after 1994.

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### B) Authorize MAC to Issue Debt for City Capital Purposes

I propose that the State authorize the Municipal Assistance Corporation (MAC) to issue additional debt under its 1991 bond resolution to provide alternative capital financing to the City at a lower cost than the City would otherwise pay.

The amount the City could save would depend on the interest rate spread between City and MAC paper, the length of maturity and the amount of MAC debt issued. For example, assuming a spread of 100 basis points on a total MAC issuance of \$1.0 billion, savings could amount to approximately \$10 million annually. If the market continued to price City paper at the record 225 point differential, savings could be as much as \$25 million per year. During the past year, the City has paid between 125 and 225 basis points more for its bonds than MAC bonds with similar maturities.

The financial community has encouraged New York to diversify its debt issuance base to alleviate pressure on the City general obligation debt. MAC's credit is also perceived by the

market as superior to that of the City, which could translate into significant debt service savings.

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### **C) Conform State and City Periods of Probable Usefulness for Bridge Painting**

I propose that the City adopt the 10-year standard as the "period of probable usefulness" (PPU) for bridge painting. Conforming to the State standard would allow the City to use funds earmarked for capital purposes in the Consolidated Highway Improvement Program (CHIPs) to paint bridges. This would save the City up to \$35 million in 1992-93.

State Finance Law requires a 10-year period of probable usefulness for improvements, reconditioning and preservation of State and municipal roads and bridges. The current City PPU for painting its bridges of eight years was established by consultants during the mid-1980s, when the Financial Emergency act required the City to inventory its assets. It is unclear how or why an eight-year period was chosen. However, if the City's PPU conformed to the State's, the City would have much more flexibility in using CHIPs aid.

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## **3. EDUCATION REFORM**

I propose that we end the inequitable distribution of school aid and replace it with reforms proposed by the Salerno Commission. Further, I endorse Commissioner Sobol's New Compact for Learning, which emphasizes educational issues, yet complements the Salerno Commission's push for financial fairness. Much of the New Compact would allow schools to function more creatively and autonomously, with more effective use of resources. Finally, mandate relief and use of other funding sources could increase the wealth available to the City and other school districts for education.

### **A) Reforming School Aid Distribution**

In December 1988, the Temporary State Commission on the Distribution of State Aid to Local School Districts -- the Salerno Commission -- called for modification of school aid formulas to better reflect districts' relative financial capacity, tax effort and regional costs, as well as the educational needs of students. The Commission also cited deficiencies in the measures used to evaluate, determine and apply pupil performance standards, and noted problems stemming from the increasing use of categorical aid.

I believe that the present education aid formula favors wealthier districts and those that have been funded generously in prior years. Those districts whose student populations are most in need, and that are least able to afford increased spending have been shortchanged.

Using the Salerno recommendations as a base, I have prepared the following plan for school aid distribution:

- A blending of enrollment and attendance in the pupil counts used to distribute school aid. If we expect school districts to base their educational programs on enrollment, then we can no longer disregard these students in the aid formulas;
- A regional cost adjustment measure to ensure that all parts of the State are treated fairly. The Salerno Commission had recommended that the school aid formula recognize that the cost of providing basic educational services differs substantially from region to region across the State, and;
- We should structure the formula to provide greater flexibility in the use of categorical aid programs. The repeated calls for increased use of block grants to replace the small, regulated and paper-intensive categorical aid programs are in harmony with the Salerno recommendations and the philosophy of the New Compact. Consolidated aid categories and simplification of both categorical and formula aids should be pursued vigorously.

The refinement and implementation of my recommendations should be pursued aggressively through the Executive/Legislative Task Force on Education, the most appropriate forum for framing school aid reform.

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#### **B) Federal Medicaid Reimbursement For Related Special Education Services:**

New York must expand its efforts to ensure that the federal government pays its proper share, through Medicaid, of the medical component of special education programs. Conservative estimates show the potential for substantial savings: between \$10 million and \$20 million to New York City, with similar savings possible for the State budget.

About 40 percent of the children receiving special education services in New York City are eligible for Medicaid, and between 10 percent and 20 percent of these expenses involve Medicaid-eligible services. State savings of \$10 million to \$20 million could be realized if a rate structure were implemented to bill Federal Medicaid at rates approximating the costs of services. This proposal would carry no increased Medicaid cost to the State or to counties because their share would be paid through existing special education funding.

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#### **C) Eliminating the City's Prefinancing of CUNY**

I will propose amending the State Education Law to eliminate New York City's "prefinancing" of the City University of New York (CUNY) senior colleges. This would

strengthen the City's cash flow, reduce the size of the State's spring borrowing and finance CUNY in accordance with Generally Accepted Accounting Principles. It would also improve greatly fiscal accountability, allowing CUNY expenditures to be more easily and regularly monitored.

Although CUNY senior colleges are funded by the State budget, the City currently pre-pays costs and is reimbursed by the State on a lag basis. Eliminating City prefinancing would help the City's cash flow by freeing up these funds for other uses and generate interest earnings for the City of between \$6 and \$8 million when fully annualized.

I recommend eliminating the prefinancing by bonding a fifth quarter "catch-up" payment of \$150 million through the Local Government Assistance Corporation (LGAC), payable to the City during State fiscal year 1992-93. Using LGAC bonding would reduce the size of the 1993-94 spring borrowing. CUNY would become directly funded from State tax levies effective April 1, 1993.

A revised fund structure may need to be established for the City university system to speed implementation. Detailed coordination and cooperation between CUNY and several State agencies is also essential to ensure a successful transition to current funding.

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#### 4. EFFICIENCY AND PRODUCTIVITY

We must reduce the overlapping functions of State and City governments. As a first step, I propose that we develop "joint budgeting" for 1992-93 between the City and the State on some key areas: bank tax audits, transportation, health and other selected areas. If the City wishes to, I would be pleased to consider ways to avoid the replication of services in the State and City agencies involving criminal justice.

At the same time, we must also focus on eliminating agency duplication, improving the efficiency of criminal justice services, and taking advantage of pooled skills and resources. Merging agencies or functions and streamlining service delivery creates the potential for State and City savings and could improve performance and accountability. These efforts could save the City up to \$175 million over the next three years.

##### A) Agency Duplication

We must implement realistic consolidation and efficiency measures for operations handled by both the City and State. Here are some recommendations:

##### - City and State Health Departments

The City Department of Health is charged with monitoring and improving public health and enforcing the City's Public Health Code. The State Department of Health fulfills a

similar mission statewide. A survey of State and City Health Department activities and mandates should be undertaken to determine where overlap exists and how to eliminate it.

- New York City Industrial Development Agency (IDA) and the State Job Development Authority (JDA)

We should explore the idea of merging IDA with JDA, after careful consideration of a cost-benefit analysis, local project needs, bonding and financing limits, necessary statutory changes and Federal requirements.

Mayor Dinkins' budget proposal suggested consolidating six City economic development agencies, including IDA, into two agencies. This is estimated to save the City \$2 million this year and \$5 million annually thereafter. Further consolidation of administration, debt service and loan application functions could produce additional savings.

- Streamlining the Administration of Selected City Taxes

Savings could be achieved if the State assumed the administration and audit functions of selected City taxes, eliminating duplication of services and ensuring uniform treatment of taxpayers. The Department of Taxation and Finance already administers several taxes on behalf of New York City, including personal income, sales, alcoholic beverages, and mortgage recording. Other areas that could be considered for State administration include:

- the City's cigarette excise tax, and;
- State auditing of City bank tax and General Corporation tax payments, along with appeals and debt collection activities.

In addition, the State Department of Motor Vehicles could administer the City commercial motor vehicle tax. Compliance can be ensured by making commercial vehicle registration depend on the payment of this City tax.

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**B) Improved Efficiency in Criminal Justice**

We must increase the efficiency of the City court system and reduce the City's jail population by ensuring timely case processing.

- Case Processing: I will ask my staff to make their assistance available to the City to improve the efficiency of case processing and reduce delays in the City's criminal justice system.

The City estimates that by reducing delays for detainees awaiting trial and the number of appearances in a felony case and speeding the time to disposition of pretrial detainees, it

could eliminate the need to build new holding facilities and save \$22 million in annual operating costs and \$200 million in capital expenses.

In addition, the pre-screening of detainees and expansion of alternatives to incarceration would reduce the number of people sentenced to City jails and State prisons. This is consistent with last year's proposed Omnibus Criminal Justice Reform and Community Corrections Act, which was intended to reduce unnecessary and costly reliance on incarceration and promote comprehensive community corrections planning.

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### **C) Pooled Skills and Resources**

City and State governments should pool their resources and management operations to save money and improve services. Here are some examples:

#### **- Improve Child Welfare Program Performance and Fiscal Accountability in New York City**

Computerizing the claims payment system for the City's foster care program could generate substantial savings by eliminating duplicate payments and claims, safeguarding and maximizing receipt of Federal foster care reimbursement, and ensuring that payments and claims are made only for children in approved placement settings and for whom appropriate court orders have been obtained.

Moreover, enhancing automation in the foster care eligibility/payment system would improve accuracy, help the City ensure that all necessary programmatic and administrative actions have been taken, and provide enhanced management and budget forecasting information.

#### **- Consolidate Comptroller Audits**

The audit functions of the State and City Comptrollers should be reviewed by the State and City budget offices, together with the staffs of both Comptrollers, to determine whether a consolidation and refocusing of their respective New York City audit program activities is appropriate.

The City and State Comptrollers maintain separate audit units that examine City agencies, municipal organizations and public authorities. The City Comptroller conducts financial audits to ensure that the City is properly accounting for its use of funds; the State Comptroller's more management-oriented audits review the administration of City programs.

This arrangement may be duplicative because each audit unit can conduct the other's principal type of audit. The City Comptroller, with at least three times more staff, should be able to perform some of the management audits now undertaken primarily by the State Comptroller. Expanding the City Comptroller's role would allow the State Comptroller's Office to reduce its audit operations or redirect auditors to other areas.

- Improve Contracting with Not-For-Profits

I will direct my Office of Management and Productivity to coordinate its efforts with the Mayor's Office of Contracts to achieve a unified approach for the development, execution and auditing of contracts between a not-for-profit organization and the City and State.

Both the City and State contract with many of the same not-for-profit organizations. When contract approvals or payments for these services are delayed, these organizations often are forced to curtail programs or borrow funds to continue operations.

The City and State have recognized their obligations to approve contracts and make payments in a timely manner. Legislation enacted this year establishes specific time-frames, rules, penalties for non-compliance and payment mechanisms for most contracts between State agencies and not-for-profit organizations. The City is similarly developing an agenda to improve its own not-for-profit contracting procedures. Closer coordination and the development of a single set of contract standards could reduce administrative and auditing costs, and simplify contracting procedures.

- Implement an Electronic Food Stamp Issuance System in New York City

I propose that the City consider replacing its current system of issuing food stamps with the Alternate Food Stamp Issuance System (AFSIS). Now being implemented in counties outside the City, AFSIS is an electronic payment authorization and issuance system for food stamps and, eventually, cash grants. The system is designed to limit fraud and duplicate payments by requiring a recipient to have both a permanent identification card and a personal identification number, much like an automated teller machine at a bank. AFSIS uses retail stores to issue food stamps, expanding the hours available for clients to get them.

The AFSIS card is the same magnetic card used in the Electronic Medicaid Eligibility Verification System (EMEVS). Eliminating the need to issue two ID cards and maintain separate files for food stamp and Medicaid recipients could save the City more than \$2.5 million annually.

A task force of officials from New York City and from the State Department of Social Services will begin exploring the use of AFSIS in New York City.

- Implement an Electronic System to Screen New York City Welfare Recipients for Eligibility

I believe the City and the State should use a computerized system to speed the determination of welfare eligibility. A preliminary system has been agreed to by the State, the City, and three other social services districts. This developing system -- the Electronic Eligibility Decision Support System (EEDSS) -- would ensure uniform treatment of public assistance clients and reduce the cost of administering benefits.

EEDSS would provide City social services workers with financial information on all applicants, prevent the authorization of benefit payments without proper documentation, and transfer information electronically to the State.

This system would enable the City to reduce administrative costs, ensure more uniform treatment of clients, reduce error rates, allow for more standardized training of staff and eliminate the need for additional forms or manual data entry into the State's computerized Welfare Management System (WMS).

The reduction in State welfare administrative costs would more than offset the initial investment.

- State/City Cooperative Caseload Forecasting for Public Assistance Programs

The State and the City both need to develop more accurate caseload projections for social services programs such as Aid to Families With Dependent Children and Home Relief. Currently, the State and the City separately develop caseload projections. While forecasting methods sometimes differ, projections are reconciled through an informal exchange of information.

I believe the State and City budget staffs should add to their current exchange to avoid underbudgeting that can result in year-end deficiency appropriations, and overbudgeting that would earmark funds for public assistance that could have been used elsewhere.

More accurate projections would allow the State and the City to better plan expenditures.

- Cooperation Between City and State Economic Development Agencies

I recommend that the State and the City create a joint task force on corporate retention to help coordinate business incentive programs and use the new Excelsior Initiative to stimulate business investment in the City.

Recent efforts by the State Urban Development Corporation (UDC) and the City Economic Development Corporation to retain the Commodities Exchanges in Manhattan have demonstrated the effectiveness of a coordinated approach. The State and the City should build upon this cooperation to retain other corporations and encourage expansion within the City.

The Excelsior Initiative will offer a new opportunity for State and City cooperation by providing capital to small- and medium-sized businesses throughout the State. This should strengthen the economy and tax base in both the State and the City. These businesses, which play an important role in the creation of jobs statewide, face borrowing restrictions from conventional bank lending practices.

City and State economic development agencies should view the Excelsior Initiative as a new resource for coordinating investment activities and developing a strategy for future economic development activities.

- Bulk Purchase of Goods and Equipment

I recommend that the State help the City coordinate volume purchasing agreements with the State, other states and other localities to obtain goods at the lowest possible cost.

The City spends more than \$500 million a year buying equipment, supplies and materials, much of which is also routinely purchased by other localities, authorities and adjacent states. The State has been working to help localities save money through volume discounts. For several years, local governments have been allowed to buy items that the State Office of General Services has on contract -- such as cars. In addition to taking advantage of the lower prices available through the State, local governments can cut the cost of contract administration.

While the use of State contracts has helped local governments, State Finance Law normally prohibits localities from buying items directly from OGS's Division of Supply Support, which stocks bulk food items, clothing, linens, and pharmaceuticals -- items that many government institutions need.

During this fiscal year, a pilot project was approved to allow distribution of commodities to Clinton County and the Moriah Central School District -- a project which could be expanded to include New York City. I will propose an amendment to the State Finance Law to make this arrangement permanent.

- Replicate Port Authority Phone System for New York State and New York City

New York State and New York City should consider replicating the Port Authority's new state-of-the-art telecommunications system to achieve probable annual savings of several million dollars, after initial investments.

The Port Authority of New York and New Jersey recently established its own telephone network utilizing microwave and fiber optic technology. The City has various telecommunications components; some new, others obsolete. The Port Authority is working with the City to explore whether a similar telephone system would save them money, too. Even greater savings could be achieved if the City, the Metropolitan Transportation Authority, and the Port Authority agreed to develop and share a single telecommunications system.

I have asked the Port Authority to help New York City evaluate the City's current system and examine more cost-effective alternatives to their financing. The feasibility of using the interstate highway system, including the New York State Thruway, to enhance New York City's telecommunications network should also be examined.

- Expand use of the Queens Consolidated Regional Laundry

The City would save money in the future if its agencies sent their laundry to the State's soon-to-be-completed regional laundry center in Queens at the Creedmoor Psychiatric Center. When completed, the facility will be state of the art, capable of round-the-clock operation. This center could handle its state workload and much of New York City's laundry needs.

HRA is interested in having OGS provide laundry services to the City. Further, the design will allow laundry to be sterilized, which would permit the State facility to handle the Health and Hospital Corporation workload.

- Explore Consolidation of State and City Office Space

Because State agencies lease so much space in New York City, we should explore the possibility of consolidating City and State offices in the same or adjacent space. We must examine whether savings associated with co-locating offices are greater than the related expenses for moving, tenant renovation and telecommunications. As the government work force shrinks and current leases expire, co-location of offices should save both governments money.

State agencies with offices in New York City are located primarily in commercially leased space. In the five boroughs, the State has approximately 100 leases, totaling more than 3.5 million square feet of office space. With the relocation of agencies from the World Trade Center completed, the State now owns just four office buildings in New York City.

The City is currently completing a citywide property and lease inventory, and a space consolidation plan. This information should be combined with the State's inventory list to develop areas where joint consolidation could occur.

- Explore Privatization of City Services

Privatization of government services introduces competition and the potential cost advantages associated with it, allows government to test and evaluate service delivery without normal bureaucratic restrictions, and allows government to quickly change overall service levels as economic and social needs dictate.

For example, New York State has moved aggressively to utilize the private sector to provide a variety of government services. These include services such as the maintenance of electronic data processing equipment, courier services, highway design and construction, managing Stewart Airport, and extensive reliance on not-for-profit organizations for delivery of social services.

The State should work with the City to explore various ways to use privatization efforts requiring State involvement. This would complement exploration of State privatization options now taking place as part of the Governor's Advisory Council on State Productivity.

These discussions should focus on areas where the State and City can work cooperatively and recognize that all of these efforts represent long-term, multi-year projects.

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## 5. MUNICIPAL ASSISTANCE CORPORATION AID

In recent years, the Municipal Assistance Corporation (MAC) has been a recurring source of strength and wealth for New York City. Once again, MAC can play a key role in helping the City build a firmer financial future. According to Chairman Felix Rohatyn, MAC can make \$1 billion available to the City by refinancing first resolution MAC bonds maturing over the next four years. However, MAC has made it clear to me, to the Mayor, and to the public that it can only take this extraordinary step if the City has a sound, multi-year plan that assures the MAC money will not be just a stop-gap budget balancer.

This is not just MAC's opinion. This is the view of the rating agencies who have the capacity to make the refinancing impractical by reducing or threatening to reduce the ratings on either MAC's or the City's bonds.

To achieve this long-term balance, MAC and other fiscal watchdogs have taken the position that the City's financial plan must include significant work force reductions. The unions have taken the position that the financial plan must include significant contributions from MAC and the State.

I believe they are all right. We should have significant, intelligent work force reductions - - avoiding too many additional layoffs -- significant help from MAC and the dramatic help from the State set forth in these proposals.

In the final analysis, it will be up to the City to produce a balanced financial plan. The City has a right to make those decisions without interference or presumptuousness on the part of the State. However, it may be helpful to be aware of how the State achieved significant work force reductions in dealing with its fiscal difficulties emphasizing targeted early retirement programs, attrition and relying on layoffs as a last resort. Since last November, the State has eliminated 15,300 general fund positions. By March of 1992, we will have reduced our work force by at least ten percent. While our approach may be useful and relevant to the City, ultimately it is up to the City to present a plan that meets its own needs and accommodates the reasonable requests made by MAC.

Another decision will have to be made as to how best to use the proceeds from the MAC refinancing. A number of approaches have been publicly discussed. One approach would be to utilize a portion of the MAC money to establish a Tax Stabilization Reserve Fund that could help the City in times of unexpected fiscal emergencies. This reserve would send a clear signal of the seriousness of the City's desire to achieve fiscal stability.

The City could also use the MAC money for capital expenditures on projects which the Mayor regards as vital to enhancing the quality of life in our City. Capital projects could include parks, highway and bridge repair, recycling, and primary health care facilities.

Finally, the money could be used as a bridge to recurring expense reductions through significant structural reforms in the operations of the City.

All of these approaches have their own advantages.

The City must decide which of these it prefers to make part of the changes to its four-year plan.

Ultimately, the members of the MAC board must judge whether the City's approach meets the standards of long-term balance that they've set to refinance their \$1 billion in bonds. Obviously, the State, the City and MAC will have to work together to achieve a successful resolution to this issue.

I will do everything in my power -- working with both the City and MAC -- to assist the City in achieving the structural balance necessary to secure new MAC funds.

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## II. ECONOMIC GROWTH AGENDA

### 1. TRANSPORTATION INFRASTRUCTURE

The need for increased capacity and convenience requires that we modernize, expand and streamline New York City's transportation network. We must design, develop and maintain and visitors.

New York's ability to participate and compete in national and global trade is dependent upon the City's capacity to move people and products in and out of the metropolitan area. Highways, bridges, tunnels, subways, airports, waterways, and rail lines directly connect the City to economic stability and growth at every level of commerce -- local, regional, national, and international. Through comprehensive efforts we will revitalize our extensive transportation resources, and reaffirm New York's position of strength and potential in the world market.

#### A) Kennedy/LaGuardia Airport Link

As gateways to the nation and the world, New York's two major airports serve 54 million passengers a year. John F. Kennedy International Airport (JFK) holds a preeminent place in the nation's international travel market, and LaGuardia Airport (LGA) is one of the most heavily utilized domestic airports in the country.

JFK and LaGuardia are economic magnets that attract business, tourism, and jobs to the metropolitan region. The offices, hotels, freight facilities and airline support services housed at these vital airports provide employ 50,000 workers every day. Together, they generate \$16 billion a year in regional economic activity.

In large part, New York City's future in regional development and world commerce is tied inextricably to the successful integration of these two airports with the metropolitan area's other commercial and passenger transportation systems. To that end, the Port Authority and the Metropolitan Transportation Authority are developing a proposal for a fixed-guideway Automated People Mover (APM) system -- a form of high-tech train -- connecting JFK and LGA to the commuter rail and subway network, and to each other.

I support development of such a link and call upon the Port Authority to secure funding for it with a \$3 Passenger Facility Charge (PFC). Recently authorized under the Federal Aviation Safety and Capacity Expansion Act of 1990, the PFC allows airports to levy user fees on all departing travelers of up to \$3 per passenger to finance local airport improvements. The PFC is expected to generate about \$100 million annually.

As currently planned, construction of the APM would follow the corridor of the Van Wyck Expressway from JFK Airport to the Long Island Railroad Jamaica Station; and from LaGuardia Airport to Sunnyside Yard, connecting either to both the 36th Street subway station or the

Queensborough Plaza station. The APM would then proceed to link the airports directly, continuing along Grand Central Parkway.

The transit link will join two important economic development districts represented by the airports -- accounting for over 23 percent of all existing jobs in Queens. The Port Authority estimates that the \$1.6 billion, phased project will generate 8,000 construction-related jobs and approximately \$1.3 billion in additional economic activity.

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### B) Oak Point Link

Every working day, millions of dollars of commercial goods and freight travel along New York City's roads and railways. All-told, the business of import, export, transport and shipping in the New York City region accounted for \$120 billion in economic activity last year. Yet the City's role as a commercial center is limited by its overutilized and inadequate freight routes, and the resulting high cost of moving goods in and out of the metropolitan area.

At present, rail freight shipped through the Bronx must share rail lines with 450 daily commuter trains destined for Grand Central Station. The inherent inefficiencies and delays translate into increased transportation costs for shippers. Not surprisingly, the number of car loads shipped via rail to Long Island has declined steadily since 1987.

Nationally, rail services account for 27.8 percent of freight movements; for New York City and Long Island, the rail share is 3.5 percent.

Commercial trucking, presently the most available freight option into New York, is a particularly expensive form of transport confined to heavily used routes in and around the City center. Current rail freight operations into the metro area suffer from insufficient and outdated infrastructure, the need to share track with commuter operations, and circuitous routing.

To address the need for full freight access to New York City, I propose that the State join with the City and the Port Authority of New York and New Jersey in providing the funds necessary to complete Oak Point Link -- a \$93.5 million project expected to create 2,000 construction-related jobs, and generate \$1.7 billion in economic activity for the region. Once in operation, the Link should provide as many as 5,000 full-time jobs to the region and approximately \$20 million in annual sales and income taxes to New York City. Initial analysis of the project further indicates that cost savings to shippers could reach \$100 million annually, and will represent a net value, over 20 years, of more than \$140 million in public benefits at the Harlem River Yard.

The design for the Link -- to be called Freight Link America -- is an 1.8 mile route along the Harlem River shoreline from the south end of the Highbridge Yard to the west end of the Harlem River Yard. The new Link will bypass commuter train tracks, increasing safety and improving freight capacity. It should also provide relief to the highway system by reducing

the demand for heavy trucking, and eliminate the need for nearly \$500 million in highway capacity enhancement. The rail connection will allow full development of the proposed intermodal (both rail and truck) facility at the Harlem River Yard.

The project also would offer considerable environmental benefits -- traffic congestion and air pollution are readily apparent on the primary truck routes at the George Washington Bridge and Long Island Expressway. New York State's Air Quality Implementation Plan of 1979 stated that improving the City's air quality would require reducing the number of trucks entering the City. The completion of the Oak Point Link and Harlem River Yard projects would help reach this goal by diverting truck traffic to rail transport. In the event of another oil or energy crisis, energy efficient regional rail service could prove essential.

The Oak Point Link is a critical infrastructure project that would provide modern, cost-efficient commercial freight access to the region by joining New York City and Long Island to the rail system of the continental U.S.

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### C) MTA Capital Plan

The unprecedented investment we made in the Metropolitan Transit Authority's capital program over the 1980s has been extraordinarily successful in restoring the country's largest public transportation system to the highest standards of form and function. This year, the New York State Legislature will consider the MTA's proposal to build upon this success through a third capital plan. Included in the MTA's proposal are a number of projects that will be essential to improving and augmenting the City's public transportation system.

The advancement of these projects will produce long term benefits to the metropolitan region that could be as important as the basic rebuilding program included in other parts of the Authority's draft capital plan. I recommend that they be given special attention as, with the Legislature, we consider the MTA's third capital plan.

Each project in itself would constitute an outstanding contribution to the City's transportation network. Together, they will represent a remarkable achievement.

#### 1) Pennsylvania Station Renovation

Nearly a century ago, a monumental structure was constructed by the Pennsylvania Railroad on eight city blocks at the site we currently know as Madison Square Garden and Penn Station. The original station, ornately designed to remind immigrant travellers of the great railway stops of Europe, stood for some 50 years. Over the years, the great, open vistas of the original Pennsylvania Station were eclipsed by modern structures. In the early 1960s, with the Pennsylvania Railroad in poor financial shape, the demolition of the building described as an architectural masterpiece began.

The historical context is especially relevant as we make improvements that will extend the functions of Penn Station into the 21st Century. Our challenge is to ensure that the Station, often the first exposure that visitors have to the City, is convenient and provides easy access to street and subway exits. It should also be a clean, comfortable environment for the more than 200,000 visitors and commuters who pass through the Station every day.

The improvement and restoration of Penn Station is ongoing, with the total cost estimated at \$220.7 million. Some of the improvements already made include the West End Concourse, designed to relieve congestion at west end LIRR platforms; improved access to the Seventh Avenue Subway line; and, ticket office rehabilitation. Ultimately, the project will result in the complete renovation of the Long Island Rail Road's major terminal, used by 80 percent of LIRR customers.

Improvements included in the plan will be visible in the Main Gate area -- a renovated waiting room, new high ceiling space, rest rooms, and new or refurbished escalators and stairs. Renovations also take into account the needs of older riders and those with disabilities, including elevators as well as stairways, and a central corridor to improve access to the main concourse from all platforms. The Exit Concourse and Connecting Concourse will also be expanded, and new access from east end trains will be added.

A street level entrance pavilion is planned for 34th Street and a new LIRR concourse will be constructed to provide direct access from the street level to the Main Gate area. Additional station-wide architectural improvements, as well as climate control, security improvements, fire alarms and a public address system are included in the plan. Electronic train departure boards, designed to improve information services, will also be installed.

Overall, the Penn Station Project will enhance station capacity and environment to build and retain ridership and related revenues and provide more efficient use of terminal space and equipment, and improved on-time service performance.

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## 2) Grand Central Terminal Renovation

Grand Central Terminal, an historic and architecturally magnificent symbol of New York, has served the City for nearly 80 years. A testament to the durability of its conception and design, it has adapted to changes in transportation and retail operations, and continues to handle over half-a-million people each day. But disrepair, fluctuating retail activity and disparate transportation services hinder its ability to meet its full potential, and ultimately threatens long-term viability.

Over the past ten years, we have invested \$70 million in improvements to preserve the structural integrity of the terminal and to restore important public areas such as the main waiting room. Building upon this progress, Metro-North Commuter Railroad prepared a multi-year, master plan for renovating the Terminal as part of the MTA capital planning program.

Using the original building design as a guide, the plan provides a blueprint for expanded use of the Terminal as a transportation, retail and civic center essential to economic and cultural development in New York.

The first phase of the revitalization includes a number of utility system improvements necessary to ensure that the Terminal will keep pace with changing needs. The present electrical system, installed when the Terminal was built, must be upgraded, and an archaic, oversized network of steam and hot water pipes must be replaced. The Grand Central Terminal also needs modern security and fire protection systems, including a command center. In addition, functional repairs to the Terminal's superstructure will be made. These structural improvements are essential and must be completed, consistent with the continuing modernization of the Terminal and restoration of its original grandeur. Additional amenities could include a sky-lit atrium entrance on Lexington Avenue, expanded and improved retail areas, and a new staircase leading to the East Balcony -- making use of space hidden for 40 years by the Kodak Colorama.

Rejuvenating the architectural structure will require the investment of both public and private resources. A revitalized Grand Central will increase commuter and transit ridership and satisfaction, and can strengthen retail activity in the area, property values and resulting taxes. These changes should preserve and embellish the Grand Central Terminal so that it can continue to function effectively and expand its potential economic contribution to New York City.

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### 3) 63rd Street Connection

Our subway system is an essential part of daily life in New York. We must continue to initiate improvements that will increase ridership and the quality of service for the thousands of people who rely on the subways every day.

Overcrowding on the Queens Boulevard Subway line continues to disrupt the daily commute of E and F train riders. A connection between the 63rd Street line and the Queens Boulevard Line would reduce substantially congestion at Queens Plaza. Another pair of tracks to and from Manhattan would vastly improve passenger travel between Queens and the City.

I support the MTA's 63rd Street Connection proposal to complete the link between the new 63rd Street line under-river-crossing and the Queens Boulevard line. The tunnel would extend from the current terminus of the 63rd Street line, east of the 21st Street Station in Long Island City, to the Queens Boulevard Line, west of the 36th Street Station.

This 63rd Street Connection will allow approximately 15 more trains to operate between Queens and Manhattan in each rush-hour period and increase available service capacity to Manhattan by 33 percent. The project also creates additional options for re-routing trains

during service disruptions, and for the future operational benefit of facilitating reverse signaling on the Queens Boulevard line.

Strong congressional support for the project has been secured and half of the funding has been proposed as part of the reauthorization of Federal transportation programs. A Federal-State partnership will enable this important project to be constructed.

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#### 4) Second Avenue Subway Line

The Lexington Avenue Line is currently operating at full capacity during rush hours and increases in demand are anticipated. Resuming construction on a new East Side Manhattan line under Second Avenue would greatly improve subway service for residents of the far East Side and East Harlem.

The preliminary plan calls for a five mile, two-track line. This project would extend from the existing 63rd Street crosstown subway (IND-BMT), continue north on Second Avenue, then across the Harlem River to the vicinity of 161st and Third Avenue in the Bronx. The line would include transfer stations with the Pelham and White Plains Road/Dyre Avenue lines. When complete, it would include approximately eight stations and would operate some 15 trains, with a capacity to carry 21,000 passengers per hour. The completion of the northern portion of the Second Avenue subway would begin to relieve the overcrowded conditions that have existed during rush hours on the Lexington Avenue line. It would provide a far more convenient alternative to the Lexington line for customers who live on the far East Side and in East Harlem.

Completion will also build on the link now provided by the 63rd St. line. Second Avenue trains could travel down Second Avenue, move west on the 63rd Street right-of-way and connect with either the Sixth Avenue or Broadway lines. This would provide midtown and Wall Street-bound customers an alternative to the Lexington line.

Renewed construction of the Second Avenue line is anticipated in the 1997-2001 period. The Transit Authority can begin planning and conceptual design for the northern portion of this new line during the 1992-1996 Capital Program.

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#### 5) East River Crossings

The Transit Authority has proposed examining the construction of additional East River Crossings between lower Manhattan and Brooklyn. Alternatives to a river crossing, such as connections between various subway lines, will also be considered. As part of this effort,

studies for a new line connecting the Brighton and Culver lines have been proposed in the 1992-1996 Capital Program.

Additional crossings would decrease congestion on the main feeder lines from Brooklyn to Manhattan, and reduce the reliance on the Manhattan Bridge, which has been made unavailable to Transit Authority trains on numerous occasions. Consequently, service between Brooklyn and Manhattan would be greatly improved.

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**D) Development of Waterway Transportation**

New York City owes much of its development as a bustling metropolis to its unsurpassed harbor and ports. The five boroughs are fundamentally distinguished by the fact that they are surrounded by the waterways of Long Island Sound, the great Hudson and East Rivers, New York Bay and the winding Harlem River. New York is, essentially, a water city. Yet, to construct New York's transportation network we have built under water, over water and around water -- but we have not used the water itself.

While the logic of using the waterways is compelling, the practical implications demand extensive study -- we must identify the areas of the City where it would be most appropriate and effective. Decisions regarding location must take into account construction of terminals, parking accommodations, and the ability to coordinate new ferry service with other modes of passenger and freight transport.

I propose that the State, funded through the new Dedicated Transportation Fund, undertake a comprehensive review of possible use of water transportation and high-speed ferries in the areas surrounding New York City. This study will determine the potential freight and passenger application of waterway transportation for Long Island Sound, the Hudson Valley, and the Staten Island to mid-town Manhattan corridor.

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**E) Accelerated Capital Spending**

As a consequence of the economic downturn, bids that we are receiving for capital projects have been significantly lower than original project estimates.

Highway construction bids in New York City, for example, are about 28 percent below estimate for the current fiscal year, following a 22 percent reduction the year before. The combined 17-month savings in the region amounts to nearly \$150 million in federal aid and bond funds.

I recommend that these savings be reinvested through acceleration of planned capital construction. I further propose that any additional Federal aid received as a result of an enhanced Highway Reauthorization Act be designated for new capital construction expenditures.

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## 2. CAPITAL DEVELOPMENT

New York City's skyline and urban landscape are an ever-changing portrait of grandeur and exuberance that has fueled the hopes and dreams of millions.

In many ways, the profile of the City is a mirror of its vitality and people -- a reflection of our diversity, determination, and energy.

Today, though our vision for a developing New York is secured by grand capital projects that will dramatically enhance the urban landscape, the pursuit of our goals is frustrated by the recessionary economy and the deterioration of existing structures.

There are, however, opportunities to launch these ambitious projects despite the slow pace of economic activity. In fact, by investing in these projects now, we can create thousands of jobs and generate billions of dollars in economic energy that can help stimulate recovery. And if the public sector makes the commitments necessary to move ahead with these projects, we can attract the private investment essential to making these projects a reality.

Through comprehensive and collaborative efforts, the challenge and opportunity to develop some of the most industrious and innovative projects in the nation is ours.

### A) Queens West

It is ironic that in a city as developed as New York, space remains to build the metropolis of the future. And yet, through "Queens West", a new residential and commercial complex on the scale of Battery Park City will rise on 74 acres of prime waterfront land at Hunter's Point, directly across the East River from the United Nations. Joining the efforts of the public and private sectors, the project will include 6.6 million square feet of residential space, 2.1 million square feet of office space, a 350 room hotel, and 274,000 square feet of retail and community facility space. Integrated into the development is more than 19 acres of publicly accessible open space, including a 1.25 mile esplanade along the East River.

Queens West will generate an estimated 14,000 construction-related jobs, and \$428 million in wages and salaries. Co-sponsored by the Port Authority of New York and New Jersey, the City of New York (through the Economic Development Corporation), and the State of New York (through the Urban Development Corporation), the completed enterprise will provide more than 9,650 full-time positions, and nearly \$99.2 million in sales, income, corporate and business tax revenues -- \$31.4 million for the City, and \$67.8 million for the State.

The project includes the creation of three distinct areas -- a residential neighborhood to the north and the south, and a commercial core in the lower central area, all organized around a new, north-south boulevard. Space would also be available for the construction of a public elementary school.

The first phase is expected to be the central area, which will include 2.3 million square feet of commercial space, a community facility with a swimming pool developed by public sponsors, and approximately 6.6 acres of public open space. Development of the northern and southern residential areas of the project would follow.

A new UDC subsidiary will be created at my direction, charged solely with overseeing development of Queens West -- as well as the immediate commitment of State funds for the purchase of land to take advantage of the present buyers market in real estate.

Seventy-five million dollars will be available from the Port Authority for the project. The City has agreed to a \$30 million involvement through direct subsidy or in-kind investment, such as project-related infrastructure.

There is general agreement among the three sponsoring agencies that a UDC subsidiary would be able to consolidate, centralize, and manage their pooled resources for the project. The Board of Directors of such a subsidiary will be comprised of a neutral chair and two representatives from each of the three agencies.

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#### B) Riverside South Development

Riverside South is an immense public/private development project on Manhattan's West Side that will transform the old Penn Railroad yards into a \$2.5 billion residential complex for 5,000 families. Along with housing, the project includes film studios, office and retail space, and a new 23-acre public waterfront park along the Hudson River at the largest vacant site in Manhattan.

The proposed plan involves a total of 8.3 million square feet of developed area, including over 5,000 housing units; almost 2 million square feet of film production facilities; and 0.3 million square feet of office and street-level retail space, located west of West End Avenue between 59th and 72nd Streets.

In its present form, the project includes the construction of a \$200 million network of thirteen new public streets and a major boulevard, with all related utilities, paid for and built entirely by the developer.

It involves an extension of Riverside Drive south from 72nd Street to connect with 12th Avenue near 59th Street. The residential buildings would be located along the extension and would be developed on a viaduct above the former rail yards. The studio space would be

placed on a superblock bounded by 59th Street, West End Avenue, 61st Street, and a new street east of Riverside Drive and west of the studios. One or more office towers would be built above the studio space. A total of 4,000 parking spaces would be built, mostly below surface.

In addition, the project includes the development of a new, 23-acre waterfront park that will extend Riverside Park south from 72nd Street all the way to 59th Street. This new park will also be built at the developer's expense.

The proposed development, which is expected to begin construction in 1993, would occur in two phases. Phase I, with a projected completion of 1997, would include those parcels located between 65th and 72nd Streets. Phase II, with a projected completion in 2002, would consist of those parcels between 65th and 59th Streets.

The optimal development of the current plan hinges on the relocation of the elevated portion of the Miller Highway on Manhattan's West Side where the privately-funded development will be integrated into the City's public superstructure. One important way the State can help the City and the private developers expedite this project is to assist in developing the inland roadway.

In order to implement this pivotal portion of the development, the Urban Development Corporation will use its expertise and funding, to be made available from the Port Authority's Regional Development Bank, to initiate the planning feasibility and environmental assessment studies for the relocated highway. The cost of this effort will likely be \$1 million.

Riverside South represents one of the best efforts at joining public and private interests in New York City. This project has the potential to create nearly 15,000 construction-related jobs and, upon completion, another 10,000 full-time jobs. It is estimated that the project will generate \$125 million annually in New York City sales and income tax revenues, and generate \$1.8 billion in additional economic activity.

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### C) Science, Industry and Business Information Center

New York City has long been considered the information capital of the world. With its major universities, news organizations, leaders and experts in every field of endeavor, access to advanced information systems, and broadcast and satellite capabilities, the City has dominated global communications.

Advances in information and computer technology have posed new challenges to New York's predominance as an information center by extending services around the globe via electronic and fiber optic transmission. The New York Public Library is poised to meet these challenges by establishing a new, high-tech international information center that will be the world's largest source of business and scientific information. This facility will be an enormous asset for

growing information industries in the United States, and an indispensable resource to corporations, small businesses, researchers, and students.

The Science, Industry, and Business Library Center, to be located in the landmark B. Altman building in the heart of mid-town Manhattan, will revolutionize the Library's services to business and science users. The Center will house a collection of more than 2.5 million volumes, including varied subject areas like advertising and marketing, artificial intelligence, banking, communication, engineering, finance, insurance, labor relations, plastics, real estate, robotics, and urban affairs. The Center will also serve as the repository for government documents, international journals, a worldwide collection of trade and industrial directories and environmental collections, as well as patent collection exceeded in scope only by the U.S. Patents Office.

All of the Center's services will involve enhanced access and will focus on speed, accuracy, and functional packaging of information. The role of technology will be to support access to literature and databases through electronic information retrieval, worldwide external information networks, reference services, and document delivery services on-and off-site. The Center will also provide "One-stop Shopping," including complete packages of references, referrals, analysis, and document delivery service.

The project is founded in a partnership between the Library, the public sector, and the business community. Each partner will provide funding for approximately one-third of the project's \$81.7 million cost. The Center should generate more than 850 construction-related jobs and approximately \$73.8 million in additional economic activity.

The opportunity created by depressed real estate prices and the availability of the B. Altman site, combined with the committed funding for this project from the public and private sector makes the time right to move forward.

I propose that the State join with the City of New York in contributing the initial capital investment to help make this project possible, with a grant of \$7.5 million made available from the regional development bank. This seed money will be crucial to attracting significant matching funds from the private sector and the Federal government. The New York State Dormitory Authority will also help the Public Library to finance the project with up to \$55 million in short-term, tax-exempt notes.

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## CONCLUSION

Throughout the history of our State, and indeed the nation, New York City has been a place where the future happened first -- for millions of immigrants, for education, for business, for industry, for all the commerce that makes us strong, for all the arts that make us civilized.

Progress never happened automatically or by divine right. It always took pain and sacrifice and vision. It always meant acting as a family, with government, the private sector, labor and management, coming together to invest in New York, to believe in New York, to build in New York.

New York City, in its long history, has probably overcome more challenges, more threats to its future, more vulnerabilities than any city in the country.

Because of what those who came before us accomplished, we have tremendous strength to use in overcoming our current challenges. We have potential we haven't begun to realize, and power -- in the private sector, in government, in our people -- that we can unleash more intelligently.

The measures set forth in this book spring from optimism in the City's future as profound as our gratitude for what its past has meant to us.

If we do it right -- together -- we will have kept faith with our history. Having strengthened the City's fiscal condition and solidified the economic bedrock upon which its future rests, we will have helped to provide the one thing that New Yorkers -- long-time natives and newly arrived immigrants have always asked of this City ... opportunity.

I am confident -- because I know New York and its people -- that we shall succeed.

We have no right to fail.