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A sound transportation infrastructure system is one of the pillars of our economy and is critical to achieving job growth and making New York businesses competitive. Yet, our level of state investment is a mere fraction of the amount necessary to meet the maintenance, safety, capacity, and accessibility needs of the system.

Several major projects have been identified throughout the state that will spur regional economic activity, improve connectivity to international trade corridors, and relieve congestion. Upstate, the conversion of Route 17 to I-86 in the Southern Tier, a replacement of the Peace Bridge in Buffalo, the Fort Drum Connector in the North Country, and the reconstruction of Route 219 in Western NY have been designated as "projects of statewide significance" that are vital to rejuvenating a stagnant economy.

In the New York City metropolitan area, a host of highway, bridge and mass transit mega projects are needed to meet the growing travel demand of an increasing population and expanding economy, including: a new Tappan Zee Bridge, the Second Avenue Subway, the East Side Access expansion and the reconstruction of Interstate 278. <u>The NYS Department of Transportation (DOT) estimates that the completion of these projects, as well as the basic capital needs of our transportation system, will cost at least $100 billion more than our current level of investment</u>.

This figure is staggeringly high because the State has not adequately invested in our transportation system, thereby allowing conditions to worsen while mismanaging the primary source of funding. DOT Commissioner Astrid Glynn recently released a detailed assessment of the capital needs of our transportation infrastructure. The report stated that the deteriorating conditions of our roads and bridges were caused by deferred maintenance and increased demand. At our current spending rate, over 1400 bridges will become structurally deficient in the next five years. The declining conditions of our bridges are matched by our pavement, with nearly 40% of lane miles rated as fair or poor. According to the Commissioner, the failure to address these assets will negatively impact the State, as "economic growth would be stifled, opportunities for energy conservation would be lost, quality of life would diminish, and the costs of deferral would mount."

The absence of sufficient investment is further exacerbated by the rapid increase in the cost of construction materials. DOT's current capital construction program was developed in 2004, when construction inflation was averaging 3.4% a year. However, in 2005 and 2006, the cost of materials increased by 19% and 21%, respectively. Over the past 12 months, commodities are continuing to rise at accelerated rates, with concrete increasing 10.8%, steel increasing 14.3%, and asphalt increasing 7.7%. DOT estimates that these spikes in materials prices will result in $2.2 billion, or 22%, of their capital plan being lost to inflation. Simply put, the DOT is completing fewer projects at a higher cost.

These factors must be taken into account when DOT and DOB develop a new five-year capital program. Chapter 384 of the Laws of 2007 requires DOT to submit a new capital plan by March 31, 2008 that will take effect in fiscal year 2009-2010. The challenge is significant because pressures from increased demand for travel and rapid inflation in construction costs threaten to far exceed expected growth in transportation resources. Making matters worse, the primary revenue source, the Dedicated Highway and Bridge Trust Fund (DHBTF), has a looming deficit. The shortfall in the Fund is expected to be almost $300 million in fiscal year 2009-2010 and balloon to over $600 million the next year. This hole in the Fund is the result of poor fiscal practices.

The Dedicated Fund was created in 1991 based on the need for a reliable and dependable revenue source devoted to maintaining the state's transportation infrastructure. The Fund was established as a pay-as-you-go capital fund, solely for the reconstruction, replacement, reconditioning and preservation of highways and bridges. Today, authorized expenditures from the DHBTF span several pages of the State Finance Law and include: the entire operations of the Department of Motor Vehicles, the removal of snow and ice, bus inspections, and the development of rail, port and aviation facilities. Removing these non-capital expenditures would free up over $750 million a year for transportation projects.

The shortage of revenue in the DHBTF has also been caused by the State's continued reliance on debt to pay for these non-capital expenditures. Between fiscal years 1994-95 and 2004-05:

- Debt service increased seven fold: from $140 million to $968 million.
- State operations more than doubled: from $449 million to $1.03 billion.
- Bond payments more than doubled: from $1.3 billion to $2.8 billion.
- Capital projects virtually stayed the same: from $724 million to $776 million.

In summation, transportation funding in New York State is facing the "perfect storm." Road and bridge conditions are continuing to decline, the cost of construction materials are rapidly escalating, the primary funding source is running a deficit, and the level of federal aid is uncertain. Reversing these trends will require a dedicated, sustained, long-term effort.

To quote DOT Commissioner Glynn:
"The cost of addressing the problems of the transportation system will only increase if we delay action. NYS must either pay now for prudent and effective infrastructure treatments or pay a much higher price later when decay has made matters much worse."