

December 29, 2008

Dear President-Elect Obama and Vice President-Elect Biden:

Seventy-six years ago, as he ascended to the presidency during the Great Depression, former New York Governor Franklin Delano Roosevelt said, "In every dark hour of our national life, a leadership of frankness and of vigor has met with that understanding and support of the people themselves which is essential to victory."

Today, as the United States confronts its worst economic crisis since the Great Depression, the people are once again demanding "a leadership of frankness and vigor"—and you have answered this demand. You have courageously proposed an ambitious economic recovery package that will help states and working families in fiscal distress while making the largest investment in our national infrastructure in generations. Indeed, any economic recovery package must be bold enough to not only have an economic impact, but also a psychological impact.

I applaud you for bringing the nation's governors to Philadelphia earlier this month to discuss with you the challenges facing our nation. Since then, I have continued to consult with my fellow Governors, including Deval Patrick (Mass.), Jennifer Granholm (Mich.), Jon Corzine (N.J.), Ted Strickland (Ohio), and Jim Doyle (Wis.), regarding the appropriate size and scope of legislation to stimulate our economy and put Americans back to work. In broad terms, I strongly support inclusion of the following in any economic recovery package to be considered by Congress:

- * \$500 billion in aid to states and working families, including \$250 billion for countercyclical programs such as FMAP, unemployment insurance, food stamps, TANF and child care; and \$250 billion for flexible education block grants to states.

- * \$300 billion for infrastructure investments, including funds for "ready-to-go" projects to rehabilitate and construct our transportation, water, schools, housing, broadband, and health information technology infrastructure, creating thousands of jobs in the near-term, and supporting economic development, public health and safety for decades to come; and funds for longer-term projects, which have transformative regional impacts, create green jobs, and support national goals for energy efficiency, environmental conservation and smart growth.

Your consideration of the ambitious economic recovery agenda detailed in this letter is deeply appreciated. No state has been more severely impacted by this crisis than New York, the home of Wall Street and the global capital of business and finance. Our recovery plan includes initiatives that the Empire State needs the most right now—not only to overcome the current crisis, but to begin laying the foundation for the economy of the future. I will also continue to work with New York's congressional delegation, municipal officials and county leaders to develop a list of their important infrastructure

and development priorities.

The State of New York stands ready to assist your administration during this difficult period, and I personally look forward to working with you to lead New York and our nation toward a brighter future.

I. Direct and Immediate Aid to States and Working Families

New York now confronts the largest budget deficit in our history. Because Wall Street provides 20 percent of our State's tax revenue, we have a \$1.7 billion budget deficit in the current fiscal year, a \$13.7 billion deficit for fiscal year 2009-10, and a deficit over the next three years of \$51.1 billion.

On December 16, I released my 2009-10 Executive Budget, which held General Fund spending to zero growth. To accomplish this, we had to close a gap that was approximately 25 percent of our General Fund — an unprecedented level of savings. We were forced to cut virtually every sector of our Budget, including, most notably, substantial reductions in health care, education, local government aid, and the State workforce. We are quickly reaching the point where further cuts to vital programs will jeopardize our fundamental responsibility to preserve critical core services to our citizens. Targeted assistance from the federal government is desperately needed. Accordingly, the most essential item in any economic recovery package is direct and immediate aid to states and working families.

I urge your administration to support an investment of \$500 billion over at least two years to stimulate state economies and help working families. In our view, the most effective way to provide this relief is through:

Countercyclical Programs — \$250 Billion

* Federal Medical Assistance Percentages (FMAP): As a result of the current recession, states' Medicaid rolls have expanded dramatically, increasing the burden on already stressed state budgets. A temporary increase in FMAP would help states like New York that are forced to consider significant cuts to health care and other essential services. The Medicaid match rate should be temporarily increased to provide \$200 billion over at least two years to mitigate cuts to these programs.

* Unemployment Insurance and Worker Training Placement: We expect that at least 180,000 New Yorkers will lose their jobs during this economic downturn, raising our unemployment rate to 7.1 percent. An economic recovery package should include federal funds to provide states with fiscal incentives to modernize their outdated employment insurance programs to address this growing population. Providing \$8 billion in such incentives will encourage states to provide benefits to eligible recipients and increase participation in lay-off aversion programs. Furthermore, a commitment to utilize national programs that stress re-employment, service dislocated workers, and provide

youth training will speed the recovery. Re-investing \$250 million for re-employment services and \$1.5 billion in Workforce Investment Act (WIA) programs will immediately address the increasing needs of dislocated workers. A \$1 billion federal investment to revive the Summer Youth Jobs program, as well as \$100 million for the Youth Conservation Corps program would put hundreds of thousands of youth to work. Finally, providing \$400 million to expand National Service positions will help address rising unemployment while meeting critical needs in our communities.

* Food Stamps: As the economy continues to decline, more Americans are struggling to feed their families. In New York, the demand for food assistance has increased by 30 percent over last year. Any economic recovery package should include a short-term food stamp benefit increase to help low-income families endure these difficult economic times. Doing so will also have the effect of immediately injecting money into the economy. Accordingly, I urge you to include \$20 billion in funding to states over two years for enhanced benefits and increased access to food stamp benefits for our most vulnerable populations.

* TANF: The Temporary Assistance for Needy Families (TANF) program provides valuable safety-net assistance by allowing families to meet their most basic needs. In the face of increased need, at least an additional \$5 billion in block grant funding should be made available to those states that provide families with basic assistance. In addition, the TANF contingency fund should be increased by \$2 billion to ensure that states have adequate ability to meet the emergency needs of families and children.

* Child Care: Parents rely on child care in order to work to support their families and to ensure that their children are cared for in safe environments. Any economic recovery package should include at least \$1 billion increase in child care funding with no state match to ensure families who need assistance in affordable child care can get the help they need.

Flexible Education Block Grants □ \$250 Billion

The current economic climate is forcing states to consider significant cuts to P-16 education funding. Substantial federal investment in education will be needed to stem this tide. A flexible education block grant of at least \$250 billion would provide governors with much needed fiscal relief, and mitigate the need for cuts to vital education programs.

II. Infrastructure Investment

I strongly commend your call for the nation's most ambitious investment in infrastructure since the Interstate Highway System was built in the 1950s. As you have stated, infrastructure investments will not only put people to work now, they will support economic growth for decades to come.

Nationally, I urge you to include an infrastructure investment of \$300 billion in your economic recovery proposal. It is estimated that for every \$1 billion invested in

infrastructure, 30,000 jobs are created. Using this estimate, New York could create as many as 351,000 jobs statewide.

New York State alone has at least 1,922 infrastructure projects, totaling \$11.7 billion that can be "ready-to-go" (i.e., federal funds can be obligated within 180 days). Of these "ready-to-go" projects, 481 are traditional infrastructure projects (i.e., transportation and water), totaling \$5.0 billion. Using the broad definition of infrastructure that you have proposed, New York has an additional 1,231 "ready-to-go" projects for school modernization, affordable housing, state parks, rural broadband, and health information technology, totaling \$5.3 billion. Finally, as I set forth in greater detail the following section, New York has at least 210 energy-related projects and programs totaling \$1.4 billion that are "ready to go." The economic recovery package must provide a flexible source of funds for these latter two broader categories of infrastructure projects.

New York's Needs: "Ready-to-Go" Infrastructure Projects & Cost

Project Type	# of Projects	Cost (Millions)
Transportation Infrastructure	382 projects	\$ 3,655.736
Wastewater Infrastructure	92 projects	\$ 1,349.423
Clean Water Infrastructure	7 projects	\$ 132.593
State Parks Infrastructure	31 projects	\$ 35.305
K-12 School Construction	737 projects	\$ 966.145
Higher Ed School Construction	245 projects	\$ 2,636.506
Affordable Housing	202 projects	\$ 192.973
Broadband Infrastructure	9 projects	\$ 8.464
Health Information Technology	7 projects	\$ 1,300.000
Energy Infrastructure & Green Jobs	210 projects	\$ 1,418.619
INFRASTRUCTURE TOTAL	1,922 projects	\$11,695.764

Lastly, I strongly support the proposal to fund a second tier of critical, longer-term infrastructure projects that advance new national goals. New York has billions of dollars worth of additional projects that could begin construction within 24 months that will further this agenda and advance new national goals. The federal government should provide engineering funds to accelerate the design of these projects. In the future, I look forward to continuing to work with your administration to identify these projects.

Project Delivery

Your call for a "use-it-or-lose-it" philosophy is a smart and fair approach to sharing these limited federal funds. My staff and I have devoted considerable time to careful review of the projects and funding amounts summarized in this letter to ensure that the intended purpose will be served "to put New Yorkers to work."

I plan to assign a member of my senior staff to oversee the implementation of these

projects. This person will lead a task force of agency Commissioners that will review project status, identify problems, and work cooperatively to overcome obstacles. This task force will work with our private-sector partners to identify potential contracting issues and streamline processes to ensure quick implementation of projects. To encourage transparency, I will set up a reporting structure (potentially via a centralized or agency website(s)) to demonstrate that the projects are indeed being delivered and good paying jobs are being created.

In order to most expeditiously advance projects funded by the economic recovery package, the bill should allow for quick approval of projects that have no significant environmental impact. In the short term, your administration should consider waiving certain federal requirements, as necessary, to ensure that work begins on these projects as quickly as possible, and over the long term, I encourage your administration to work with Congress to address the multitude of onerous laws, regulations, and practices that have clogged the project delivery pipeline.

Transportation Infrastructure

For "ready-to-go" recovery projects, I encourage you to use the blueprint put forward in H.R. 7110, which the U.S. House of Representatives passed overwhelmingly in September. In particular, any economic recovery package considered by Congress and your administration should include:

- * Funding for highways, bridges, mass transit, and aviation allocated according to proportion of current state shares of transportation funding
- * 100% federal funding, waiving federal match requirements
- * Project eligibility determined by the Surface Transportation Program (STP)
- * Quick federal approval of projects that have been designed outside of the federal process but meet core requirements

After a comprehensive review of statewide transportation priorities, the State of New York has at least 382 projects totaling more than \$3.65 billion that can be obligated within 180 days. These projects are all consistent with our Statewide Transportation Plan:

- * Highways & Bridges: 334 projects, totaling \$1.83 billion
- * Metropolitan Transportation Authority (MTA) Transit: 33 projects, totaling \$1.5 billion
- * Non-MTA transit systems: 12 projects, totaling \$220 million for bus replacements
- * Rail: 2 projects, totaling \$41 million
- * Aviation: \$110 million in Airport Improvement Program (AIP)-eligible projects

New York State has additional "ready-to-go" transportation needs that extend beyond those funded by traditional federal trust fund programs, such as improvements on Amtrak's Empire Corridor, at the Port of Albany, and in our State Parks system;

development of the Farley Post Office as Moynihan Station; and construction of the Access to the Region's Core (ARC) tunnel.

Wastewater and Drinking Water Infrastructure

A major investment in our nation's deteriorating wastewater infrastructure is long overdue. At the national level, \$240 billion over 20 years is required to address its wastewater infrastructure needs. Recent dramatic cuts in the Clean Water State Revolving Fund (SRF) have diminished the ability of states and municipalities to address critical wastewater infrastructure needs.

New York needs \$36.2 billion over the next 20 years to rebuild its wastewater infrastructure. In the short term (FFY 2009), we need \$4.5 billion for 418 separate projects. Of these projects, 92 projects totaling \$1.35 billion are "ready to go." Communities across the state have applied for funding through the Clean Water SRF and have design plans ready for these projects. The NYS Environmental Facilities Corporation, which implements the CWSRF, can obligate the funds immediately to get them started.

We further recommend that Congress include significant funding for the CWSRF, to help close the gap between the CWSRF's historical high funding level and President Bush's FY2009 request. Water conservation and energy conservation requirements should be built into the funding awards. In addition, loan forgiveness should be considered for hardship communities because many small and low-income communities lack sufficient financial resources and/or face a declining ratepayer base.

Our country's drinking water infrastructure is also in disrepair. Currently, New York State has seven drinking water infrastructure projects, totaling \$133 million that are "ready to go."

State Parks Infrastructure

New York has the nation's oldest and largest system of State parks. Infrastructure improvements in these parks will create jobs in every region of our State and improve New Yorkers' quality of life. My Office of Parks and Recreation and Historic Preservation (OPRHP) has identified 31 infrastructure projects (including transportation and clean water projects) that are "ready to go" in 180 days, totaling \$35.3 million. This includes \$20.4 million for ailing sewer and water infrastructure and \$14.9 for transportation infrastructure in our State Parks facilities.

School Modernization and Renovation

Modernizing and renovating our aging K-12 and public higher education facilities, and constructing new ones, will meet your stated goals of short-term job creation while

laying the foundation for future growth, opportunity and prosperity, and should be included as a central component of any infrastructure investment program. In New York State, we have a combined need of 982 "ready-to-go" school projects totaling more than \$3.6 billion at K-12 and public higher education facilities.

Many of New York's K-12 public schools are cramped, outdated, run-down, and unable to accommodate new computer technology. More than 4,000 schools are in need of renovations and/or new construction. In total, New York State has 737 "ready-to-go" K-12 school modernization and renovation projects, totaling \$966 million. We also have identified 245 "ready-to-go" investments at higher education facilities, totaling \$2.64 billion. Of these, \$2.06 billion are "green," either energy saving or LEED-certified.

Affordable Housing Infrastructure and Community & Economic Development

New York State has long been a leader in affordable housing policy. Our State has a well-established network of affordable housing developers and community-based organizations which will insure that any additional capital funds are efficiently directed to those neighborhoods and communities that will benefit most from an infusion of capital. New York has 202 "ready-to-go" housing infrastructure projects totaling \$193 million.

The NYS Division of Housing and Community Renewal (DHCR) has an unfunded capital projects pipeline approaching \$639 million, comprised of 52 proposed multi-dwelling construction or rehabilitation projects, offering 2740 units of housing. The pipeline includes 14 projects at an advanced stage of readiness, with a total development cost of \$117 million. If funded, these projects would commence construction or rehabilitation within 180 days. These projects would construct, rehabilitate and preserve 603 units of affordable rental housing, provide construction and permanent jobs, and stimulate local economies across New York State.

I also urge you to provide our state housing agencies with much-needed relief on low-income housing tax credit regulations. The Low Income Housing Credit Program (LIHC) is the primary tool for leveraging private investment in affordable housing by helping to match private investment with other state and federal resources. To make the LIHC program more appealing to investors, the economic recovery package could:

- * Temporarily reduce the credit period from ten to five years
- * Permit "carry-back" of the Housing Credit for up to five years and allow these Housing Credits to be used to offset Alternative Minimum Tax (AMT) liability during that period
- * Expand Community Reinvestment Act footprints by 25% for two to three years to encourage financial institutions (typically the largest LIHC purchasers) to invest in areas where they do not currently have CRA need
- * Waive the "at-risk" rules for Closely Held C Corporations for two to three years so they can fully utilize the LIHC benefits

The Community Development Block Grant program is an effective way to provide funding directly to cities and counties for community and economic development. Our municipalities have "ready-to-go" projects to create jobs and make much needed investments in our communities and we support funding on the federal level to expand this program. The NYS CDBG program provides financing for eligible non-entitlement communities, which are units of local government with populations less than 50,000, and certain counties with populations of less than 200,000. There are 1,272 non-entitlement communities in New York State. Larger entitlement communities in New York receive direct allocations from the U.S. Department of Housing and Urban Development to administer their own CDBG programs. We fully support a reversal of recent trends by a restoration to full funding levels and we advocate for major increases in both entitlement and non-entitlement CDBG funding as part of the federal economic recovery efforts. There are 108 NYS CDBG-eligible projects, totaling \$46.7 million, "ready to go" within 180 days. Communities throughout New York, particularly Upstate, also require funding for economic development projects to attract industry and provide infrastructure and access improvements to industrial sites.

New York also operates an innovative Main Streets grant program that provides funding for building renovations, façades and streetscape improvements and, in limited cases, capital funding for projects to anchor downtown districts. The program provides technical assistance and other resources to support community revitalization efforts, including housing. With \$29.2 million in federal funds, New York could proceed to construction within 180 days on eighty projects.

Broadband Infrastructure

In this information age, universal access to broadband is essential to our nation's ability to maintain its global competitiveness. In New York, we have 17 broadband projects, totaling \$88.6 million, which will help New York reach its long-term goal of ensuring every New Yorker has access to affordable high-speed broadband. Of these projects, nine, totaling \$8.5 million, can be completed in 180 days. These include projects to light up dark fiber across the State and county-level private/public partnership projects.

Health Information Technology (IT)

To deliver safe, effective, high quality and affordable health care in the 21st century, strategic adoption of an interoperable health IT infrastructure is needed to transform today's largely paper-based system into an electronic, interconnected health care system. We must focus on utilizing technology to promote the improvement of health care delivery. New York is uniquely qualified to invest in health IT infrastructure thanks to the policy and technical blueprint established over the past 18 months using a public-private sector collaborative model. The blueprint includes a detailed set of information policies and standards governing health IT infrastructure, including privacy and security

policies, which must be built up-front to support the technology, as well as a statewide governance process, managed by the New York e-Health Collaborative, to ensure implementation of and accountability for all current and future policies and standards.

As a leader in Graduate Medical Education (GME) and home to some of the most sophisticated Academic Medical Centers, New York is at the forefront in training the nation's next generation of physicians. The State is also working to integrate health IT policy into its programs and regulatory framework as an underpinning to many health reforms in an effort to ensure that health IT infrastructure advances in the public's interest and is sustainable over time.

With seven health IT projects that are "ready to go," New York estimates that we are ready to obligate in excess of \$300 million within 180 days to implement a plan for health information exchange and \$1 billion for provider electronic health records. A national investment of \$20 billion is necessary to implement qualified statewide programs and to promote the adoption of electronic health records by physicians and hospitals.

III. Energy Efficiency, Clean Energy "Green" Jobs & Energy Infrastructure Investment

I was encouraged to hear that your administration plans to spend \$150 billion over a 10-year period for clean energy technologies, which would generate upwards of 5 million new jobs. New York State already has aggressive goals for expanding energy efficiency and renewable energy development, including an additional \$1.4 billion in "ready-to-go" projects related to these goals. Investing in clean energy technologies through existing state programs will provide an immediate influx of funding to support further development of the states' clean energy economies.

Energy Efficiency & Renewable Energy Investments

A substantial, longer-term federal investment in existing state energy efficiency and renewable energy programs can both create jobs and advance your new national "green" strategy to reduce energy consumption, provide greater energy security, curb the emissions of pollutants and carbon dioxide, and foster growth and economic development. New York State's existing program infrastructure includes:

* New York Power Authority (NYPA) Energy Services Program: Federal block grants to enable schools and local governments to implement the best energy efficiency and renewable energy investments would be a good complement to the existing financing offered by NYPA. Such investments are a great public example of the power of clean energy and provide financial relief to state and local governments. NYPA has identified 23 school efficiency retrofit projects totaling \$29.8 million that have already started the design phase and could commence construction within 24 months with \$7.5 million in federal funding. An additional 175 public building retrofit projects totaling \$630 million

could begin construction within 24 months with \$158 million in federal funding.

* New York State Energy Research and Development Authority Programs: NYSERDA administers several programs to encourage energy efficiency retrofits in the residential and commercial buildings sectors. Federal funding would allow the State's oversubscribed programs to expand rapidly. With \$168 million, the State could bring significant new Combined Heat and Power capacity on line in the next 24 months, continue NYSERDA's energy efficiency programs for new and existing multifamily units through the end of 2009 and deploy energy efficiency controls to mass transit within 180 days.

* Advanced Metering Infrastructure Projects: Advanced Metering Infrastructure (AMI) systems offer tremendous promise to empower customers with information that will help them conserve energy and use energy more efficiently. If electricity is priced to reflect its true cost in each hour, customers will reduce their energy consumption during peak demand, which could reduce the need for peaking power generation and its air pollution impacts, as well as help lower electricity prices for all customers. Two projects totaling \$311 million in New York State could commence within 24 months with \$286 million in federal dollars.

* Division of Housing and Community Renewal's Weatherization Assistance Program: DHCR is responsible for the supervision, maintenance, and development of affordable low- and moderate-income housing in New York. As part of this effort, DHCR administers the Weatherization Assistance Program (WAP), a federally-funded program that provides residential energy conservation services to lower-income households. In 2007, DHCR installed energy efficiency measures in 13,987 units. There are 1 million households eligible for this program in New York, and DHCR could significantly expand the reach of the program with additional federal funding.

* New York State Renewable Energy Programs: In addition to extending the programs the federal government already offers, like the federal production tax credit, it should provide additional funding for renewable energy incentives. New York's existing Renewable Portfolio Standard (RPS) provides financial incentives on a competitive basis for renewable energy projects, which has led to more than 30 large-scale projects to date. The State could build on that success with \$650 million to provide incentives that would spur private investment of more than \$2 billion, create job opportunities in rural communities, bring solar power to communities and reduce electric bills for ratepayers.

Clean Energy "Green" Workforce Training

A national "green economy" will require an expanded workforce. In New York, an estimated 50,000 new jobs will be required to meet our aggressive clean energy agenda. New York has an active clean energy workforce training program in place in cooperation with State universities and community colleges to provide opportunities for underemployed and displaced workers to fill these jobs. By injecting \$3 million into existing programs, a federally-funded, state-administered, clean energy workforce development and training initiative can begin immediately.

Energy Transmission Infrastructure

Many rural areas of the nation have no natural gas infrastructure. We have identified a natural gas infrastructure expansion project to service Franklin County, New York. Building a pipeline to serve this region would provide residents with access to a cleaner burning and more cost-effective fuel source. To date, approximately \$3 million in state and local funds have been earmarked for the project, but there remains a financing gap of about \$3.7 million. Federal investment in this type of infrastructure would help projects like this move forward quickly and help retain key employers in rural areas of our state and the nation.

Diesel Emission Reductions and Retrofits

Injecting federal dollars into states' efforts to reduce diesel emissions would both create jobs and provide significant public health benefits for New Yorkers. Several examples of diesel emission reduction programs in New York are identified below:

- * **Retrofit of State-Owned Diesel Vehicles:** New York's state agencies and authorities own an estimated 30,000 heavy-duty diesel vehicles. Depending on the ultimate reduction strategy for each vehicle, the total retrofit could cost \$100 million. In New York, federal funds could be used quickly by the State for retrofits to commence immediately.

- * **Transit Bus Program:** While most of New York's transit bus fleet has been retrofitted and/or replaced with buses using the newest, cleanest technologies, there are still approximately 600 transit buses using older, conventional diesel engines. A federal investment of \$6 million is needed to retrofit these remaining buses.

- * **Clean Air School Bus Program:** NYSERDA's Clean Air School Bus Program provides funding to school districts to reduce emissions from their school bus fleets. Retrofit technologies can quickly be applied to school buses to address the harmful effects of diesel emissions through idling reduction, oxidation catalysts, and particulate traps. Schools are interested in retrofitting their buses, but do not have the funds available to do so. An additional \$5 million could be used to retrofit approximately 2,000 buses from the existing fleet within 24 months.

Energy Research and Development Infrastructure

To keep the United States competitive in the field of energy research and development, the federal government needs to strategically invest in research facilities. At New York State's Saratoga Technology and Energy Park, the NYS Department of Environmental Conservation plans to build an Alternative Fuel Vehicle Research Lab (AFVRL). The \$50 million AFVRL project will be a world-class test and research facility that focuses on the research and development of alternative fuels, propulsion systems, new vehicle technologies, and other greenhouse gas reduction technologies. This lab will be one of

the only facilities in the nation conducting this type of work, \$38 million in federal dollars would allow the project to commence within 24 months.

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Thank you for seeking input from the states regarding the economic recovery package. I look forward to working with you and your administration to implement this package quickly. Together--demonstrating the leadership of frankness and vigor--Franklin Delano Roosevelt spoke of many years ago--we can overcome the current economic crisis and lead both New York and the United States toward a brighter future.

Sincerely,

David A. Paterson