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Testimony of Elizabeth Brown
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To the New York City Council Finance Committee
On Financing of the City's Recovery From Sandy
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Good morning Chair Treyger and members of the City Council. I am Elizabeth Brown, a supervising analyst at the New York City Independent Budget Office. Thank you for this opportunity to testify today regarding the financing of Hurricane Sandy recovery.

It has been more than three years since Hurricane Sandy pummeled New York City. Over those three years, from fiscal year 2013 through fiscal year 2015, the city has spent nearly \$4.0 billion, including both operating expenditures and capital commitments, to repair the damage caused by the storm and to put into place resiliency measures to mitigate the impact of future storms. (Unless noted otherwise, all years are city fiscal years.) Federal disaster-relief funds are expected to cover most of these costs—accounting for more than \$3.6 billion of the \$4.0 billion spent thus far.

The repair and resiliency work necessitated by Sandy, however, will take much longer than three years to complete. The executive budget added more than \$1.7 billion in Sandy-related recovery and resiliency spending to the city's expense and capital budgets—this includes nearly \$1.6 billion in federal grants and expected reimbursements from Washington. Earlier today IBO released a budget brief with more detail on the executive budget changes.

With the addition of these funds, planned spending for Sandy-related relief and resiliency work currently totals \$7.3 billion from 2016 through 2020, of which \$6.7 billion is expected to be paid for with federal funds. My testimony today will be divided into two parts. I will first discuss spending through the city's operating budget, followed by a discussion of spending on Sandy-related capital projects.

Operating Budget. More than \$2.6 billion is currently budgeted for Sandy response from 2016 through 2020 in the city's operating budget, with all but \$48 million expected to be paid for with federal aid. Most of the funds budgeted are planned for the current fiscal year and for 2017—\$1.2 billion and \$1.1 billion, respectively. This planned spending is in addition to the \$2.5 billion the city has already spent on Sandy response and recovery through the city's operating budget from 2013 through 2015, including \$2.3 billion in federal aid.

The vast majority of funds included in the current financial plan (more than \$2.4 billion of the \$2.6 billion) are part of the city's \$4.2 billion Community Development Block Grant Disaster Relief award (CDBG-DR), which the city is using to support a wide variety of recovery and resiliency projects. The

majority of the CDBG-DR funds in the city's operating budget are funding the Build it Back housing recovery program to reconstruct and repair housing damaged by the storm. CDBG-DR funds are also being used to pay for the city's business recovery programs and for planning studies for larger resiliency infrastructure projects. In addition to the \$2.4 billion in CDBG-DR funds currently budgeted, the city has already spent \$851 million in CDBG-DR funds in 2013 through 2015.

Another nearly \$100 million in federal funds included in the city's current operating budget are expected in payments from the Federal Emergency Management Agency (FEMA), which reimburses the city for eligible recovery-related expenses. While FEMA was the predominant source of funds for Sandy response in the first three years following the storm—accounting for \$1.4 billion of the \$2.3 billion the city received in Sandy-related federal operating revenues in 2013 through 2015—the FEMA funding remaining in the expense budget is expected to peter out after 2017 as emergency response activities conducted by city agencies end and the focus shifts to larger resiliency projects. Most of the \$100 million in FEMA funds currently included in the city's operating budget falls into three categories: nearly \$40 million are for administrative costs; \$33 million are for emergency protective measures, which are emergency actions during and after the storm to protect lives, health, and property; and \$21 million are expected to pay for repairs to buildings and equipment.

Capital Budget. A total of \$4.7 billion in Sandy-related capital commitments are planned over the next five years, with \$4.2 billion of those commitments expected to be paid for with federal funds. As was true for the operating budget, most of the capital funds are planned to be committed in 2016 and 2017: \$1.1 billion and \$2.0 billion, respectively. These planned commitments are in addition to the nearly \$1.5 billion the city already committed (including \$1.3 billion in federal aid) for Sandy capital projects from 2013 through 2015.

Like the operating budget, the largest funding sources for the Sandy-related capital projects are expected FEMA reimbursements and CDBG-DR funds. The city has also received considerable capital funding for transportation projects through disaster relief grants from the Federal Highway Administration and Federal Transit Administration.

Almost a third of Sandy-related capital spending planned over the next five years (\$1.5 billion) will be used to repair and reconstruct city hospitals damaged by the storm and to protect the city's Health + Hospitals facilities from future storms; nearly all of the work will be paid for through FEMA reimbursements. This is in addition to the \$135 million already committed for hospital repair projects through 2015.

Transportation projects make up the next largest share of planned capital spending, with nearly \$735 million planned over the next five years, of which about \$504 million is expected federal aid. The transportation spending is largely planned for the repair and reconstruction of roads damaged by Sandy and for storm-resiliency measures for the city's ferry systems. The city has already committed nearly \$206 million for Sandy-related transportation projects over the past three years.

Nearly \$457 million is planned to be committed next year for two large resiliency projects, the East Side Coastal Resiliency Project and the Two Bridges Project. The East Side Coastal Resiliency Project, which is

funded using \$281 million of the city's CDBG-DR award, is a flood protection system that will extend from East 23rd Street to Montgomery Street in Lower Manhattan and will include multiple measures, such as protective berms, flood walls, and new pedestrian bridges. The Two Bridges Project, with \$176 million in funding provided through the city's Community Development National Disaster Resiliency award, will continue this flood protection system into the Two Bridges neighborhood from Montgomery Street to the Brooklyn Bridge.

The Department of Parks and Recreation has \$479 million in planned commitments over the next three years for repair, reconstruction, and resiliency measures for various parks and beaches affected by the storm. Of that total, \$426 million are expected in federal funds, mainly through FEMA reimbursements. This is in addition to \$489 million already committed for parks projects from 2013 through 2015.

Close to \$313 million in commitments for Sandy projects planned for the Department of Small Business Services—all but \$4 million of which is expected in federal funds—will be passed through to the city's Economic Development Corporation over the next five years. This includes \$100 million for an integrated flood protection system in the Red Hook section of Brooklyn. Half of the funds for this project are expected from FEMA, with the remainder from the city's CDBG-DR award. Another \$109 million is expected in FEMA reimbursements to pay for repairs to city-owned property.

Lastly, \$236 million is planned for repairs to damaged schools, with \$222 million expected in FEMA reimbursements. The city has already committed \$560 million for school repair and reconstruction work from 2013 through 2015.

The remainder of the capital funds planned for Sandy repair and resiliency work is split between a variety of city agencies, including \$185 million for the Department of Environmental Protection, \$162 million for the fire department, and \$118 million for the Department of Cultural Affairs. These totals include expected federal aid as well as a relatively small share of city funds.

Thank you. I will be happy to answer your questions