



STATE OF NEW YORK

October 19, 2001

GEORGE E. PATAKI
GOVERNOR

Dear Congressman Arney:

Thank you for the time and thoughtful attention you gave to me and my staff in our discussions on October 11, 2001, regarding the devastating consequences for New York and for the Nation of the attacks on the World Trade Center. We were encouraged by your clear interest and desire to be helpful as we struggle with the aftermath of these assaults on America.

While the attacks of September 11, 2001 have affected every American, they were particularly devastating for New Yorkers. Nearly 6000 people were killed, hundreds more injured and the lives of millions unalterably changed. The damage to property is unprecedented and the devastating impact on the State and City economies, only now becoming clear.

Our effort on October 11, was to present for consideration, a comprehensive package which, in our judgment contains the elements critical to re-building lower Manhattan and restoring New York's economy. Of the total estimated multi-year cost of \$54 billion, \$34 billion is merely our latest estimate of the costs to re-build the area of lower Manhattan destroyed by the attacks on the World Trade Center. As we discussed, while estimates will continue to be refined, we expect that when private insurance is factored in, we hope these costs will be largely covered by the \$20 billion already committed to New York, Virginia and Pennsylvania in federal financial support.

The impetus for the balance of our funding request is the federal interest in enacting an economic stimulus package to reverse the decline in the national economy. While the events of September 11, have affected every state, the economic impact on New York is particularly severe and incontrovertibly linked to the attack. In our judgment, these factors warrant a specific commitment to New York in any national economic stimulus package. Following are the key elements of our proposal:

Establish a "Liberty Zone" -- This multi-year program is intended to stimulate the State and national economies by establishing a special tax-exempt zone, or "Liberty Zone". The goal of the Liberty Zone is to reestablish the self-sustaining, long-term economic growth that existed in the impacted area prior to the attacks of September 11th.

A significant portion of the costs associated with rebuilding, renovating and replacing destroyed property and business equipment, including utilities, may not be covered by regular federal disaster assistance or insurance. The State supports additional federal tax exempt bonding authority as the primary tool to make rebuilding in lower Manhattan cost effective for private businesses. Given the scope of the destruction and the significant costs of building in lower Manhattan, the State will need up to \$10 billion in federal tax exempt bond cap authority to ensure that sufficient tax favored financing capacity is available to replace 15 million square feet of destroyed (and 15 million square feet of heavily damaged) commercial space. The cost of this program is estimated at \$2 billion over a multi-year period.

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Honorable Richard K. Arney
October 19, 2001
Page 2

Support Families and Dislocated Workers - This \$3 billion funding request reflects the special needs of families in the wake of the terrorist attacks. This program contains elements consistent with those of President Bush and congressional proposals to extend unemployment benefits, provide grants for health insurance, as well as income supplementation and job training grants.

Economic Restitution to Ensure Vital Public Services are Provided - The destruction of lower Manhattan disrupted or eliminated revenue streams that support the day-to-day operations of the City and the State and the services that millions of New Yorkers rely upon. In recognition of this severe revenue impact, the State has initiated a multi-billion dollar spending control program and Mayor Giuliani has called for a \$1 billion cost cutting program for the current City fiscal year.

Even with these dramatic actions both the City and the State will need billions of dollars in federal aid over the next 18 months to ensure that vital public services and the security of our citizens is maintained. As evidence of this severe revenue disruption, our September tax collections *alone* were \$528 million below estimates which were updated as recently as August.

Enhancing Public Transportation Infrastructure and Safety - The stimulative effect of substantial federal investment in transportation infrastructure on the national economy is well documented. Accordingly, the State has proposed an investment in transportation infrastructure as a component of the national economic stimulus package. This investment should be balanced among highway, transit and rail needs to ensure that urban, rural and suburban areas can all benefit equally.

In addition to these proposals, you will recall that we noted the significant commitment being made by the State and City to secure the attack site and to provide additional measures to ensure the safety of important public infrastructure. Water supplies, sewer systems, bridges, tunnels, communications and transportation centers, utilities and other sensitive locations will require enhanced security measures for the duration of the current crisis. Federal financial support will be critical if we are to adequately protect New York from additional terrorist threats.

I am grateful for your strong leadership and commitment to New York in the wake of this disaster and I look forward to working with you in the days ahead in restoring and rebuilding our State and national economy.

Very truly yours,



Honorable Richard K. Arney
Majority Leader
U.S. House of Representatives
H-327A Capitol
Washington, D. C. 20515

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