2017 Federal Priorities

DECEMBER 2016
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Introduction

THE PARTNERSHIP FOR NEW YORK CITY represents the city’s business leaders and largest private sector employers. Taken together, Partnership members employ over 7 million Americans and contribute nearly $1 trillion to the U.S. economy. As undisputed leaders in a wide range of global industries, Partnership CEOs are called upon to help all levels of government develop and implement public policies that create a stronger platform for American business, enhance opportunities for all Americans and stimulate economic growth.

Shortly after the Presidential election, the Partnership surveyed CEOs to solicit their views on the top federal priorities for 2017. There was broad consensus that the most pressing issues are: infrastructure investment, corporate tax reform, cyber and homeland security, education and workforce development, and immigration policies. The following document, produced with the help of Oliver Wyman, is designed to flesh out these issues and provide Partnership members with a consistent framework for discussions with the incoming Trump administration and leaders of Congress.

Mayor de Blasio met recently with the Partnership board of directors to express his thoughts about city priorities, focusing on continued federal funding for public hospitals and the public housing authority. City taxpayers send $117 billion to Washington, D.C. every year, while federal payments and services to New Yorkers total only $61 billion.

Former Mayor Bloomberg worked with the Partnership to develop a wallet card containing the city’s wish list that business leaders could pull out and reference during meetings with federal officials. As the new administration and Congress begin to tackle the challenges facing the country, the Partnership will provide members with updated information on local issues in order to ensure that the city continues to receive the federal support necessary to maintain essential services.
FEDERAL PRIORITY #1

Infrastructure

Put Americans to Work Building Modern, Resilient Infrastructure

RECOMMENDED ACTIONS

- Launch a national rebuilding campaign, backed by federal incentives for public-private partnerships (P3s), including tax credits, repatriation of foreign corporate earnings and profits, EB5 allocations, and block grants
- Fast-track and streamline project approvals process, reducing regulatory barriers for locally supported projects
- Institute merit-based federal funding for urban transit and other public works to accommodate rapid economic expansion of the nation’s metro regions
- Prioritize upgrading airport access, capacity and efficiency, starting with private installation and management of satellite air traffic control systems (maintaining the Federal Aviation Administration as safety regulator) and fast rail to airport connections
- Invest to promote the sustainability of existing and new infrastructure (e.g., hardening the coastlines)

2.2x potential multiplier

Federal payments to state and local governments for infrastructure have among the highest fiscal multiplier of any public investment.

$3.6 trillion

Cost to bring the nation’s infrastructure to a state of good repair.

$59.2 billion

Cost to bring New York City infrastructure to a state of good repair.

Figure 1

In the New York City metro region, nearly $60 billion is needed to bring public infrastructure assets to a state of good repair over the next five years.

<table>
<thead>
<tr>
<th>Cost of State of Good Repair</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City University</td>
<td>$2.0 billion</td>
</tr>
<tr>
<td>Housing Authority</td>
<td>$16.6 billion</td>
</tr>
<tr>
<td>MTA*</td>
<td>$26.6 billion</td>
</tr>
<tr>
<td>NYC Transit</td>
<td>$16.3 billion</td>
</tr>
<tr>
<td>Other MTA</td>
<td>$10.4 billion</td>
</tr>
<tr>
<td>Port Authority*</td>
<td>$6.8 billion</td>
</tr>
<tr>
<td>Department of Education</td>
<td>$2.0 billion</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>$2.9 billion</td>
</tr>
<tr>
<td>Other City Agencies</td>
<td>$2.2 billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$59.2 billion</strong></td>
</tr>
</tbody>
</table>

*Includes all assets, not just those located in New York City
An overly complex system of required reviews and permitting approvals stifles needed investment, creates inefficiencies and dramatically increases costs.

10 years / $3.7 trillion
It often takes 10 years to approve new infrastructure projects in the U.S. with the cost of delays estimated at $3.7 trillion.

Canada has a 2-year approval process with a reduced federal role in environmental reviews and narrowed scope of allowed public challenges.

### Prototype Projects

<table>
<thead>
<tr>
<th>Amtrak’s Gateway Tunnel Connecting New York and New Jersey</th>
<th>Upgrade Air Traffic Control to Increase Efficiency of New York Metro Airports</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 250,000 commuters cross the Hudson River each day using public transit.</td>
<td>52% of business travelers reported avoiding flying to meetings in New York due to local airports.</td>
</tr>
<tr>
<td>100% increase in rail ridership is expected by 2040.</td>
<td>~75% of nationwide flight delays are attributable to problems in New York’s airspace.</td>
</tr>
<tr>
<td>10 years of remaining useful economic life for existing Hudson River tunnels.</td>
<td>66 minutes Average delay for domestic flights from New York airports</td>
</tr>
<tr>
<td>$5.9 million City employers incur $5.9 million in losses for each hour of delay on NJ Transit operations.</td>
<td>$2.6 billion Annual cost of delays to the regional economy due to air traffic congestion</td>
</tr>
</tbody>
</table>
FEDERAL PRIORITY #2

Tax Reform &
Regulatory Relief

Accelerate Economic Growth and Balance the Federal Budget without Slashing Essential Services

RECOMMENDED ACTIONS

 Reduce corporate rates and simplify the tax code, recognizing that revenues will grow with increased economic activity
 Encourage global companies to repatriate overseas income and invest in the U.S.
 Provide more incentives for research and innovation
 Maintain deductibility of state and local taxes from personal income tax obligations to reflect high costs and outsize contributions of nation’s most productive urban centers
 Survey employers to identify regulations that unnecessarily add to costs, discourage investment and inhibit job creation

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Figure 2
New York City is a large net contributor to the federal budget (2015).

$117.3 billion
New York City to Washington, D.C.
Personal income taxes: $96 billion
Business income taxes: $19 billion

$61.2 billion
Washington, D.C. to New York City
Federal grants: $19 billion
Other direct payments: $14 billion
Retirement and disability: $10 billion
Insurance payments: $9 billion
Guaranteed or insured loans: $4 billion
Salaries and wages: $3 billion

$56.1 billion balance of payments deficit

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Figure 3
U.S. corporate taxes are the highest in the developed world (2016).

8.85%
New York City

6.5%
New York State

35%
United States

50.35%
Total

30%
Germany

25%
China

20%
United Kingdom

17%
Singapore

16.5%
Hong Kong

13%
Ireland

Does not account for the deductibility of state and local taxes in the United States. Reflects highest tax brackets.
U.S. tax policy for research and development is still relatively basic compared to our competitors.

**United States**
Research & Development (R&D) tax credit equal to either 14 percent or 20 percent of total qualified research expenses depending on the calculation method applied

**Canada**
Scientific Research and Experimental Development tax deductions, investment tax credits for capital and R&D costs

**China**
Super deduction (150 percent) of R&D expense, rate reductions for “high and new technology,” Value Added Tax (VAT) exemptions

**France**
R&D tax credit, innovation grants, accelerated depreciation for fixed assets used in R&D, patent box and innovation tax credits for small- and medium-sized enterprises (SMEs)

**Singapore**
Productivity and Innovation Credit Scheme (250 percent/300 percent deductions on S$400,000 expenses per year for R&D activity)

**United Kingdom**
Patent box, R&D tax credits (super deductions for SMEs) and investor tax relief in early-stage businesses

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**Figure 4**
New York City has higher personal income tax rates than other major U.S. cities (2016).

<table>
<thead>
<tr>
<th></th>
<th>Federal tax rate</th>
<th>State tax rate</th>
<th>City tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>39.6%</td>
<td>8.82%</td>
<td>3.88%</td>
</tr>
<tr>
<td>St. Louis</td>
<td>39.6%</td>
<td>6.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Phoenix</td>
<td>39.6%</td>
<td>4.54%</td>
<td>44.14%</td>
</tr>
<tr>
<td>Dallas</td>
<td>39.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orlando</td>
<td>39.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Does not account for the deductibility of state and local taxes in the United States. Reflects highest tax brackets.

**Figure 5**
Nearly $2.3 trillion in untaxed profits are parked overseas.

<table>
<thead>
<tr>
<th>Industry</th>
<th>2015 Earnings Parked Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information technology</td>
<td>$710 billion</td>
</tr>
<tr>
<td>Health care</td>
<td>$461 billion</td>
</tr>
<tr>
<td>Consumer goods and services</td>
<td>$363 billion</td>
</tr>
<tr>
<td>Industrial manufacturing</td>
<td>$362 billion</td>
</tr>
<tr>
<td>Financial services</td>
<td>$211 billion</td>
</tr>
<tr>
<td>Energy</td>
<td>$165 billion</td>
</tr>
<tr>
<td>Utilities</td>
<td>$9 billion</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>$2 billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2.3 trillion</strong></td>
</tr>
</tbody>
</table>
FEDERAL PRIORITY #3

Cyber & Homeland Security

Increase Business-Government Collaboration to Protect the Nation

RECOMMENDED ACTIONS

• Expand partnership between business and government to report and manage cyber and homeland security threats and reduce systemic risk

• Increase government support to limit liability in the event of a cyberattack and create incentives that encourage transparency, cross-industry knowledge sharing and the adoption of best practices

• Provide federal technology, tools and best practices to businesses (e.g., encryption) to ensure high protection of U.S. assets against cyber threats

• Train a national cybersecurity workforce through public-private partnerships (e.g., apprenticeship models, government placements, training of veterans)

More than 500 million
Personal records stolen or lost in 2015

~430 million
New unique pieces of malware identified in 2015, a 36 percent increase over 2014

~$400 billion
Estimated annual cost* of cyberattacks to businesses globally

*Cost of damage itself and subsequent disruption to normal course of business

Competition for cyber talent is increasing, leading to a major skills shortage.

~1.5 million
Expected global shortfall in cybersecurity professionals by 2019 due to demand reaching 6 million

~300,000
Unfilled cybersecurity jobs in the U.S. by 2018
Figure 6
As a global financial, media and services center, New York City is a target for cyberattacks.

Figure 7
There are a number of reasons the cyber industry struggles to recruit talent.

- 73% Recruited away/higher salary, bonus
- 53% Career path not fast enough
- 40% Learn new skills and use in new job
- 33% Career path not clear
- 20% High burnout rates
- 20% Jobs are boring, repetitive, tedious
- 13% Not enough workplace flexibility
- 7% Diversity and inclusion issues

Based on a 2016 global survey.

Figure 8
New York City suffered the highest number of terrorist incidents of any U.S. city (2002–present).

- 17 New York City
- 10 Los Angeles
- 10 Washington, D.C.
- 6 Seattle
- 6 San Diego

Figure 9
The global economic cost of terrorism is significant.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$90 billion</td>
</tr>
<tr>
<td>2010</td>
<td>$29 billion</td>
</tr>
</tbody>
</table>

Economic cost includes direct and indirect costs from the loss of life, destruction of property and losses from ransom payments.

Share of U.S. events by state to date.
FEDERAL PRIORITY #4

Education & Workforce Development

Ensure All Americans Have the Opportunity to Succeed at Work

RECOMMENDED ACTIONS

- Establish incentives for industry-sponsored credentialing, skills development, work experience, and job placement, including a national internship program for high school and college students
- Provide flexibility in federal funding to accommodate local variables and rapid pace of change in job requirements
- Make preparation for employment (hard and soft skills) an integral aspect of K-12 education
- Intensify funding for education in STEM subjects, including professional development of teachers
- Increase alignment of funding for higher education and workforce development to employer partnerships and preparation for available jobs

Figure 10
Fifty-three million jobs will be added to the U.S. economy from 2016 to 2026.

- 38 million Replacement jobs, mostly due to Baby Boomer retirements
- 15 million New jobs

Figure 11
Approximately 35 percent of new jobs added to the economy will require post-secondary education from 2016 to 2026.

- 5% Master’s degree or higher
- 21% Bachelor’s degree
- 2% Associate degree
- 7% Some college/no degree
- 31% High school diploma
- 34% Less than a high school diploma

Between 2011 and 2015 the number of jobs requiring at least an associate degree grew by 10 percent, with a further 10 percent growth expected through 2020.
~4.1 million
New York City labor force (2016)

68%
Labor participation rate (2016)

245,000
Unemployed New Yorkers (2016)

165,000
Underemployed New Yorkers (2016)

37%
Thirty-seven percent of New York City public high school graduates are college or career ready.

2%
Less than 2 percent of New York City career and technical education students get paid internships.

0.1%
The U.S. only spends 0.1 percent of its GDP on retraining workers, one-sixth the average of other wealthy countries.

CURRENT CHALLENGES
Federal workforce funds are largely available only for training youth who are not in school.

State law bars industry professionals from teaching K-12 classes.

Figure 12
Many New York City industries face a skills gap.

Figure 13
U.S. employers find middle skill jobs difficult to fill.

Business services and information technology accounted for the highest number.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Job openings per unemployed worker in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and financial</td>
<td>5</td>
</tr>
<tr>
<td>IT/tech</td>
<td>4.2</td>
</tr>
<tr>
<td>Engineering</td>
<td>3.4</td>
</tr>
<tr>
<td>Nursing</td>
<td>1</td>
</tr>
<tr>
<td>Sales</td>
<td>0.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Business services and information technology accounted for the highest number.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trained talent is difficult to find</td>
<td>54%</td>
</tr>
<tr>
<td>Sufficient experience is not easy to find</td>
<td>50%</td>
</tr>
<tr>
<td>Need to hire more educated than position requires</td>
<td>38%</td>
</tr>
<tr>
<td>Have the skills but not right work ethic or ambition</td>
<td>34%</td>
</tr>
<tr>
<td>Salary too low</td>
<td>21%</td>
</tr>
<tr>
<td>Location of job not desirable</td>
<td>16%</td>
</tr>
</tbody>
</table>
FEDERAL PRIORITY #5

Immigration

Attract Global Talent to Meet Labor Market Needs

RECOMMENDED ACTIONS

- National and regional economic development objectives should drive immigration policy
- Reform the H-1B lottery system to allow U.S. companies to hire skilled workers based on labor market demands, not fixed and arbitrary quotas
- Provide fast-tracked and longer term work visas for students educated in U.S. universities for STEM and other jobs where high skilled individuals are in short supply, including a merit-based route to permanent residency
- Establish a more aggressive program to encourage foreign entrepreneurs to build companies in the U.S.
- Provide a clear path to citizenship for immigrants at all skill levels (including undocumented workers and their families when there is no criminal record)

Figure 14

Immigrants represent 45 percent of the workforce and 48 percent of the small business owners in New York City (2015).

- U.S.-born workers
- Foreign-born workers

88% 12%
Total population

83% 17%
U.S. workforce

55% 45%
New York City workforce

More than 50%
Percentage of New York City’s “low-skill” workforce that is foreign-born

24%
Immigrants are responsible for almost a quarter of U.S. patent applications.

$12 billion
Undocumented workers estimated annual contribution to state and local taxes (2016)
Current policies slow economic growth and disadvantage U.S. companies.

236,000

H-1B visa applications made this year, with cap allowing only 85,000 to be granted, making it hard to recruit and retain skilled workers.

~70%

Approximately 70 percent of applicants lose out in the H-1B lottery process, regardless of labor market needs.

1.1 million

The U.S. has 1.1 million international students with no direct path to employment visa or green card.

**CURRENT CHALLENGES**

Permanent residence is seldom available to temporary workers or students.

U.S. entrepreneur visas (E-2 visas) require a significant amount of cash and offer no permanent residency benefits for new business startups.

Many cities have self-declared independent sanctuary policies—meaning they do not turn over law-abiding undocumented immigrants to the federal authorities.

Figure 15

*Sample of sanctuary cities in the United States.*
INTRODUCTION

7 million Americans: Partnership for New York City member contribution survey

$1 trillion: Partnership for New York City member contribution survey

$117 billion to Washington, $61 billion in return: Partnership for New York City analysis

INFRASTRUCTURE

2.2x potential multiplier: Congressional Budget Office (CBO), The Fiscal Multiplier and Economic Policy Analysis in the United States, 2015

$3.6 trillion: 2013 Report Card for America's Infrastructure, American Society of Civil Engineers, March 2013

Figure 1:

$2.0 billion: CUNY Five-Year Capital Plan Request FY 2016–17 through FY 2020–21

$16.6 billion: NYCHA Capital Plan 2016–2020

$16.3 billion: MTA Twenty-Year Capital Needs Assessment 2015–2034

$10.4 billion: MTA Twenty-Year Capital Needs Assessment 2015–2034

$6.8 billion: Center for an Urban Future analysis of data from Navigant, “Phase II Report,” March 2014

$2.0 billion: City of New York, Asset Information Management System (AIMS) Report, FY 2016

$2.9 billion: City of New York, Asset Information Management System (AIMS) Report, FY 2016

$2.2 billion: City of New York, Asset Information Management System (AIMS) Report, FY 2016

10 years: Common Good, Two Years Not Ten Years – Redesigning Infrastructure Approvals, 2015

$5.9 million: Partnership for New York City, NJ Transit Strike Economic Impact, 2016

$2.7 trillion: Common Good, Two Years Not Ten Years – Redesigning Infrastructure Approvals, 2015

+250,000 commuters/day: U.S. Census, American Community Survey, Public Use Microdata, 2015

100% increase: Port Authority, A Vital Link: Expanding Transportation Capacity across the Hudson, Presentation by RPA President Thomas Wright

10 years: Regional Plan Association, Tunnel Trouble: Crumbling Infrastructure Is Putting the Region at Risk, comments in RPA’s video

$5.9 million: Partnership for New York City analysis of data from New Jersey Transit; American Community Survey, Public Use Microdata, 2014

52%: PwC Business Travelers Survey (publication forthcoming)

-75%: Partnership for New York City, Grounded: The High Cost of Air Traffic Congestion, 2009

66 minutes: U.S. Department of Transportation, Bureau of Transportation Statistics, average of JFK, LGA and EWR from August 2015–July 2016

$2.6 billion: Partnership for New York City, Grounded: The High Cost of Air Traffic Congestion, 2009

TAX REFORM & REGULATORY RELIEF

Figure 2: Partnership for New York City analysis

Figure 3: KPMG Corporate Tax Rates Table, 2016; Tax Foundation, State Corporate Income Tax Rates and Brackets for 2016; General Corporation Tax Rates, City of New York


Figure 4: Partnership for New York City, At Risk: New York’s Future as the World Financial Capital, 2015

Figure 5: Credit Suisse, Parking Lots of Cash & Earnings Overseas, 2016

CYBER & HOMELAND SECURITY

+$500 million: Symantec, Over Half a Billion Personal Information Records Stolen or Lost in 2015


-$400 billion: Lloyd’s of London, Cyber Attacks Cost Companies $400 Billion Every Year, 2015

-1.5 million: Cybersecurity Ventures, Job Report Q4 2016
-300,000: Cybersecurity Ventures, Job Report Q4 2016

Figure 6: Advisen, includes events recorded through Oct 26, 2016; Partnership for New York City analysis

Figure 7: Mercer Select Intelligence, 2016 (global survey)

Figure 8: Global Terrorism Database, 2016

Figure 9: Institute for Economics and Peace, Global Terrorism Index, 2016

EDUCATION & WORKFORCE DEVELOPMENT

Figure 10: Partnership for New York City analysis of data from EMSI

Figure 11: Partnership for New York City analysis of data from EMSI

~4.1 million: NYSDOL, Local Area Unemployment Statistics (Seasonally Adjusted), October 2016


245,000: Local Area Unemployment Statistics (Seasonally Adjusted), October 2016


37%: NYC Department of Education, School Quality Reports, 2016–2017

2%: Partnership for New York City CTE Survey, 2015

0.1%: State Street Advisors, Globalization Reset or Reversal? Trade & Growth under the Next U.S. President, 2016

Federal workforce funds: Funding for WIOA, 2017; Partnership for New York City analysis

State law bars industry professionals: NYSED, Office of Teaching Initiatives

Figure 12: Partnership for New York City analysis; U.S. Census, American Community Survey Microdata, 2015

Figure 13: Accenture, Middle Skills Survey, 2014

IMMIGRATION

Figure 14: U.S. Census, American Community Survey Microdata, 2015

+50%: Office of the State Comptroller, The Role of Immigrants in the New York City Economy, 2015

24%: Partnership for a New American Economy & Partnership for New York City, Not Coming to America, 2012

$12 billion: Institute on Taxation & Economic Policy, Undocumented Immigrants’ State & Local Tax Contributions, 2016

236,000: U.S. Citizenship and Immigration Services

-70%: U.S. Citizenship and Immigration Services

1.1 Million: U.S. Immigration and Customs Enforcement

U.S. entrepreneur visas require more cash: U.S. Citizenship and Immigration Services; Migreat, Where are Entrepreneurs welcomed?

Sanctuary Cities: 2015; New York Times, What are Sanctuary Cities? (2016); IHS Global Insight, 2013; Center for Immigration Studies Map; KSN, Police department policy exposed after the death of Lola Jayne, December 19, 2008; WKYC, Mayor Jackson Vows Not to Round up Illegal Immigrants, November 30, 2016

ABOUT OLIVER WYMAN

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