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BARBARA LIFTON
Member of Assembly
125TH District

Legislative Commission on Rural Resources

June 17, 2005

Mr. Simon St. Laurent
1259 Dryden Road
Ithaca, NY 14850

Dear Mr. Laurent:

Thank you for contacting me regarding this year's state budget. I strongly support the energy efficiency and renewable energy programs administered by NYSERDA. The Assembly majority is committed to reliably funding these critically important programs and making sure they are run well.

The "systems benefit charge," which currently funds these programs, is generated from a charge on our utility bills, making it a de facto tax on the people of New York. The legislature maintains that, like other taxes, it should be subject to appropriation in the state budget, with oversight by the Comptroller, as our State Constitution requires. Moving the non-appropriated money for NYSERDA into the budget process is not a threat to NYSERDA's good work. Quite the contrary, doing so will protect its mission.

The history of NYSERDA's Systems Benefit Program is of interest, especially in light of the governor's budget veto. In his first term, Governor Pataki eliminated the NYS Department of Energy, which had responsibility for state energy planning and policy issues, and like other agencies, spent appropriated funds as provided for in the NYS budget. Then in 1998, with no legislative input, the governor moved some of the work previously done by the Department of Energy into NYSERDA, a public benefit corporation created by the state legislature in 1975, and administratively imposed the "systems benefit charge" on New Yorkers' utility bills. Currently worth \$150 million, this pool of money will grow to more than \$1 billion over the next several years, with the addition this fall of another fee on our utility bills, called a renewable portfolio standard.

New York has hundreds of public authorities and benefit corporations, the majority of whose boards are appointed by the governor, with the advice and consent of the Senate. They spend billions of dollars, generate debt that is approved neither by the legislature nor the voters, operate without transparency or accountability to the public and have been the focus of numerous controversies and scandals involving procurement and lobbying practices. NYSERDA is one of those entities operating under this suspect system. While their programs can demonstrate positive accomplishments, there is no guarantee the money is being spent wisely or even on the designated programs. At least some of NYSERDA's money was spent on ads first aired during the 2004 Republican National Convention, featuring the governor touting his environmental record. (See enclosed article.)

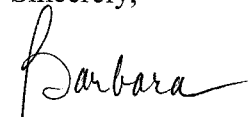
The Assembly has made broad governmental reform a top priority in the current legislative session. Beginning with rules' changes and reform of the budget process, we followed with legislation to reform the judicial selection process, campaign finance and elections, our lobbying laws and the Empire Zone Program, and to ensure that state purchasing and other expenditures are made in the best interest of taxpayers. We continue working to reform the Rockefeller drug laws and hold public authorities and public benefit corporations accountable for their actions. Many of these bills, including the public authority reform bill, have passed the Assembly, and we will continue to work to see them all signed into law.

The budget provided yet another opportunity to pass reform measures and advance policies for a more open state government. The final agreement included reforms in the Empire Zone Program and off-budget HCRA spending. Unfortunately, although the governor has gone on record as supporting reform of New York's public authorities and benefit corporations, he vetoed the legislature's bi-partisan measure calling for increased oversight of NYSERDA programs. The legislature's proposal would move our tax dollars from a Pataki-controlled authority and bring accountability and oversight to the state's energy programs.

The legislature has until the end of the year to override the governor's unwise veto. I am urging that we do so.

Again, thank you for writing on this important issue. Please feel free to contact me again on this issue or any other matter of state concern.

Sincerely,


Barbara S. Lifton
Member of Assembly
125th District

BSL/lls
encl.

*Thanks
for your email.
It was good
to see you at the
panda-fun, if warm,
time.*

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Commentary

Stealth tax keeps us in the dark

By Bill Hammond

Originally published on April 27, 2005

New Yorkers, who already pay through the nose for electricity, are going to need bigger noses.

In the process of granting Consolidated Edison a rate increase last month, the Pataki administration also quietly slapped a new surcharge on electric bills.

By itself, the rate increase seems modest enough, especially since it's the first in 10 years. The delivery charge will go up about 12% over the next three years - or about \$3 a month for a typical residential customer - adding \$535 million to Con Ed's bottom line.

In fact, the Public Service Commission could boast in its press release that the increase is less than a quarter of what Con Ed originally requested. But the release was less forthright about the new surcharge, calling it a "demand management initiative" and failing to mention that it could cost Con Ed customers as much as \$354 million over the next three years. That includes up to \$224 million for energy efficiency programs and up to \$120 million to reimburse Con Ed for lost revenue.

Assembly Energy Chairman Paul Tonko calls it a "stealth tax."

Supporters of the surcharge - including the Pataki administration, Con Ed and environmental groups - say the money will pay for efficiency programs that reduce the demand for juice on hot summer days, thus avoiding price spikes and possible blackouts.

But the state already collects something called a "systems benefit charge" to pay for the same kind of stuff. And this fall the state will zap electric customers with another surcharge to subsidize renewable energy such as windmills and solar power. Altogether, these energy taxes will raise more than \$1 billion over the next several years - all of it off-budget, outside the control of the Legislature.

In fact, when lawmakers tried to include the money in the budget this year - without changing how it was spent - Pataki vetoed the measure, saying he wanted to protect energy programs from political meddling.

As it is now, however, all that cash flows to a Pataki-controlled authority, the New York State Energy Research and Development Authority, which gets to hand out checks for research on hydrogen fuel cells, "green" office buildings, energy-efficient housing and other such efforts. It also pays for a "Get Energy Smart" ad campaign, including spots featuring Pataki in a flannel shirt touting his efforts to protect the environment. Thank goodness there's no political meddling.

Rather than nickel-and-dime consumers to put his face on TV, Pataki should be focused on developing more efficient power plants, which would save money and protect the environment.

CAPITOL STUFF: Legislative elections are still 19 months away, but the Albany fund-raising machine is going full tilt. The New York Public Interest Research Group has counted 131 fund-raisers so far this year, ranging from \$150 a plate for Assembly backbenchers to \$1,000 to scarf hors d'oeuvres with Senate Majority Leader Joe Bruno or Assembly Ways and Means Chairman Denny Farrell. Fifty-two of them occurred in a government-owned complex across the street from the Capitol, making it all the more convenient for lobbyists to stop by with their checks.