

# GreenWatch

Environmental Newsletter from the Office of the State Comptroller

Vol 1 - Issue 2

**Alan G. Hevesi**

Fall 2005



Dear Friend,

Over the past year, this Office has met with dozens of citizens and stakeholders concerned with many environmental issues, including the use of the Environmental Protection Fund (EPF). A common theme in these discussions has been the need to monitor disbursements within the three EPF sub-funds — Solid Waste, Open Space, and Parks, Recreation and Historic Preservation.

Since the EPF is one of the primary sources for environmental funding in the State particularly since a majority of the Clean Water/Clean Air Bond Act monies has been committed, it is essential to examine how the EPF dollars are expended. While the EPF funds a large number of environmental initiatives, such as open space acquisition, farmlands protection and the development of parklands, we need to ensure that projects are being funded in a timely and effective manner.

With this newsletter, we are pleased to provide you with our first summary report outlining appropriations, disbursements and encumbrances for the EPF from SFY 1994-95 to date. We will continue to monitor EPF spending and issue future reports. We welcome your input and hope you will share your ideas on this and other environmental issues with this Office.

Sincerely,

A handwritten signature in black ink that reads "Alan G. Hevesi". The signature is written in a cursive, slightly slanted style.

## Over \$380 Million Still Available for EPF Projects

An analysis of the Environmental Protection Fund (EPF) from SFY 1994-95, shows that less than 60 percent of the funds have been disbursed from the Fund on a life-to-date basis. Another 11.5 percent has been committed, leaving nearly 30 percent – or \$383.6 million – available for future obligations. The analysis, completed by this Office, looked at overall spending in the three categorical areas on both a cumulative basis and on an annual basis. The chart on the following page features both an 11-year summary of appropriations and the appropriations from the 2003-04, 2004-05 and 2005-06 fiscal years.

Although the Fund received an appropriation of \$150 million in the 2005-06 budget, reflecting an increase of \$25 million over prior fiscal years, in the past it had generally received an annual baseline appropriation of \$125 million funded primarily through the State's real estate transfer tax (RETT). Annually, \$112 million of the State's RETT – ten monthly deposits of \$11.2 million – provides 90 percent of the fund's revenue. The remaining revenue is derived from proceeds from the conservation license plate program, the sale of surplus State lands and the leasing of underwater lands. Beginning in 2006-07, the total RETT receipts deposited in the EPF will increase to \$137 million.

Because the EPF tends to have a substantial cash balance as a result of these deposits, funds have been taken out of the EPF and used to help balance the budget in recent years. This practice is known as "sweeping."

The first sweep of the Fund took place in 2002-03 when \$346 million was transferred from the EPF to the General Fund. In 2003-04, sweeps totaling \$77 million were used to provide General Fund relief and to support a number of offloads the Executive had proposed including in the EPF. These offloads would have moved programs and staffing costs into the EPF that were not traditionally funded by EPF monies. Revenues from bonds issued by the Environmental Facilities Corporation replaced a portion of the funds – \$43 million – swept from the Fund in 2003-04. Sweeps of the EPF totaling \$31.2 million took place in 2004-05 and this year's budget contained a transfer authorization of \$62 million from the EPF to provide both General Fund relief and to finance capital projects.

The chart that follows illustrates the funding levels, disbursements, and commitments for the various programs in each of the EPF subcategories for the years 1994 through 2005 and for the most recent fiscal years 2003-04, 2004-05 and 2005-06 as of September 30, 2005. The last column represents the percentage of funding still available from enacted appropriation authority.

**Environmental Protection Fund**  
Summary of Appropriations as of September 30, 2005

	Appropriated	Disbursements Life-to-date	Contract Encumbrances	Amount available for future obligations	Percentage of appropriation still available
<b>1994 - 2005 Appropriations</b>					
I. Solid Waste	247,685,000	154,280,875	34,414,671	58,989,454	23.8
II. Parks, Rec & Hist. Pres.	448,125,000	245,053,522	52,855,195	150,216,283	33.5
III. Open Space	623,190,000	384,747,608	64,019,753	174,422,639	28.0
<b>TOTAL</b>	<b>\$1,319,000,000</b>	<b>\$784,082,006</b>	<b>\$151,289,618</b>	<b>\$383,628,376</b>	<b>29.1%</b>
<b>2005 Appropriation</b>					
I. Solid Waste	20,775,000	17,921	332,079	20,425,000	98.3
II. Parks, Rec & Hist. Pres.	46,815,000	0	0	46,815,000	100.0
III. Open Space	82,410,000	4,623,427	1,008,000	76,778,573	93.2
<b>TOTAL</b>	<b>\$150,000,000</b>	<b>\$4,641,348</b>	<b>\$1,340,079</b>	<b>\$144,018,573</b>	<b>96.0%</b>
<b>2004 Appropriation</b>					
I. Solid Waste	16,775,000	2,682,756	1,773,169	12,319,075	73.4
II. Parks, Rec & Hist. Pres.	41,565,000	742,522	617,755	40,204,723	96.7
III. Open Space	66,660,000	3,787,495	13,401,010	49,471,495	74.2
<b>TOTAL</b>	<b>\$125,000,000</b>	<b>\$7,212,773</b>	<b>\$15,791,934</b>	<b>\$101,995,293</b>	<b>81.6%</b>
<b>2003 Appropriation</b>					
I. Solid Waste	16,925,000	2,769,250	1,621,198	12,534,552	74.1
II. Parks, Rec & Hist. Pres.	45,665,000	18,797,380	12,875,540	13,992,080	30.6
III. Open Space	62,410,000	24,823,665	20,691,689	16,894,646	27.1
<b>TOTAL</b>	<b>\$125,000,000</b>	<b>\$46,390,296</b>	<b>\$35,188,427</b>	<b>\$43,421,278</b>	<b>34.7%</b>

## EPF Fact Sheet

- The EPF was created in 1993 under Section 92-s of the State Finance Law to finance projects that enhance the environment in New York State.
- Prior to 2005-06, the EPF generally received an annual baseline appropriation of \$125 million and is a dedicated revenue stream, funded primarily through the State's real estate transfer tax (RETT). Annually, \$112 million of the State's RETT provides 90 percent of EPF revenue. Other revenue includes proceeds from the conservation license plate program, the sale of surplus State lands and the leasing of underwater lands. In 2006-07, the deposit of RETT receipts will increase to \$137 million.
- The EPF consists of four accounts:
  - Environmental Protection Fund Transfer Account – used to transfer funds into the three categorical accounts;
  - Solid Waste Account – used for non-hazardous municipal landfill closure, waste reduction and recycling projects;
  - Parks, Recreation, Historic Preservation Account – used for municipal park, historic preservation, waterfront revitalization and coastal rehabilitation projects;
  - Open Space Account – used for open space land conservation, farmland protection, non-point source pollution abatement and control projects, biodiversity stewardship and research and Long Island South Shore estuary reserve planning.
- Within the three categorical accounts, there are approximately 20 specific programs. Depending on negotiations between the Governor and the Legislature, the number of programs funded within the categories can vary slightly from year to year. The amount of funding each program receives also is subject to annual negotiation as part of the annual budget process.

### Hevesi Endorses Renewable Energy Bill

Legislation encouraging local governments to purchase renewable energy has gained the support of Comptroller Hevesi.

Many municipalities would prefer to purchase energy from renewable sources despite the higher cost associated with those sources. The bill, passed by the Assembly, would allow municipalities to purchase energy from renewable sources if the cost is no more than 15 percent above the non-renewable energy cost. Renewable sources include energy derived from solar, wind, photovoltaics, methane waste, tidal, geothermal or fuel cell technology.

"This legislation will encourage the development and growth of an increased market supply of renewable energy, which should in turn reduce the cost of producing energy from renewable sources and reduce our dependency on fossil fuels," stated Hevesi.

## Dumping Deals Yield Environmental Concerns

A recent audit of a “fill-for-fields” initiative, developed by a not-for-profit corporation that brokered fill dumping deals between construction companies and public school districts and municipalities, was designed to allow the dumping of clean construction debris on public lands to provide free athletic field improvements. An OSC review of those deals found that the companies failed to adhere to State Environmental Quality Review Act (SEQRA) requirements, dumped non-approved and potentially carcinogenic contaminants on public lands, and caused serious leachate and runoff concerns.

In 2002 and 2003, several school districts and one town in Westchester County made deals with a not-for-profit corporation, Goodwill Sports Association (GSA), Inc., to accept construction and demolition debris in order to obtain new or renovated athletic fields. GSA agreed to donate artificial-turf fields, or renovate natural grass fields in each district and town in exchange for dumping privileges. School and town officials agreed to the GSA proposals in anticipation of having new or renovated sports fields at no cost to the taxpayers. Through these arrangements, construction companies were able to avoid as much as \$19.4 million in dumping fees.

OSC auditors reported that the Department of Environmental Conservation (DEC) had tested soil samples from one site, finding an elevated concentration of polycyclic aromatic hydrocarbons (PAHs), potentially cancer-causing contaminants found in coal tar, creosote, roofing tar and other substances. Heavy metals such as lead were also found in the soil. As a result, remedial action that includes the installation of a non-permeable cap has been ordered by DEC. Additional concerns over increased runoff have been raised. The DEC has identified storm water run-

off issues in the Greenburgh School District after 200,000 yards of debris was deposited on school property. Further, the DEC was unable to determine the safety of the dumped materials in Valhalla.

In addition to the lack of proper permits and the environmental implications, the school districts and the town failed to comply with competitive bidding requirements as required by State law. In most cases, work on the fields has been halted or is not yet complete. Remediation and other expenses will cost taxpayers of the three districts and the town nearly \$3.8 million.

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## Hevesi Actions Address Climate Change

Climate changes, resulting in part from the large-scale industrial emission of greenhouse gases, have a profound effect on the world’s ecosystem and have given rise to drastic weather phenomena and ever-increasing natural disasters. Comptroller Hevesi serves as a founding member of the Investor Network on Climate Risk (INCR), an organization of large institutional investors that has encouraged companies in which its members invest to address any material risks and opportunities to their businesses affected by and/or associated with climate change.

In July, Comptroller Hevesi and other members of INCR, contacted corporate executives at the largest investor-

owned power companies, the major producers of greenhouse gases, asking them to evaluate how future greenhouse gas limits will affect their financial bottom lines and what steps are being taken to mitigate negative impacts. As sole trustee of the State’s Common Retirement Fund that holds a number of investments in these electric power companies, Hevesi expressed his concern over the potential risks associated with climate changes and their effect on the financial health of companies in which the Fund invests.

This action follows last year’s efforts when the members of INCR contacted corporate executives at the largest investment firms asking them to detail any assessments or actions taken by the companies to evaluate future risks to their portfolio companies.

Subsequently, Hevesi also wrote to corporate executives at a number of insurance companies advocating their action in minimizing risks associated with global climate changes. In his letter, Hevesi also urged them to respond to a questionnaire distributed by Assemblyman Alexander Grannis. Assemblyman Grannis had asked the company officials to detail action taken by the companies to mitigate risks, improve energy efficiency, and institute management strategies.

In May of this year, Comptroller Hevesi and Treasurers from other states attended the Second Annual Institutional Investor Summit on Climate Change to discuss the global implications of climate risks and how investors can recognize the potential risks to global climates and take action to mitigate the crisis.

If you would like to receive this newsletter electronically, please contact [EnvironmentalUpdates@osc.state.ny.us](mailto:EnvironmentalUpdates@osc.state.ny.us) or write to:

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You can also find more information on our programs at the Comptroller’s website at: [www.osc.state.ny.us](http://www.osc.state.ny.us)

## Comptroller Releases Report on Renewable Energy

The State's increased investment in renewable energy production has the potential to create 43,000 new jobs, increase incomes in rural areas, and generate additional tax revenue, according to a recent report issued by Comptroller Hevesi. In addition to the environmental benefits derived from the generation of renewable energy, and the lessening of New York State's dependence on out-of-state suppliers of fuel, an expansion of the State's production of renewable energy can spur job growth in a high-skilled, high-wage labor sector and reduce public health care costs.

The report, "*Energizing the Future: The Benefits of Renewable Energy for New York State*," cites steps taken by the State to develop its renewable resources. The report offers numerous legislative and administrative recommendations to position New York to take advantage of this burgeoning market.

The report also announces the initiation of an audit of the System Benefits Charge (SBC) by the Comptroller. The SBC is a fee levied on major investor-owned utilities that provides funding for New York's renewable energy programs. The audit will evaluate how funds currently are being utilized and seek to identify opportunities for funds to be redirected or better used to support New York's renewable energy programs.

A copy of the report is available on our website at: [www.osc.state.ny.us](http://www.osc.state.ny.us).

## Hevesi Keynote at Climate Change Conference

Citing the risks of climate change on the global economy as well as long term investments, Comptroller Hevesi delivered the keynote address at the Carbon Disclosure Project, an international organization that provides investor information on greenhouse gas emissions. Speaking in September to hundreds of investors and corporations, Hevesi cautioned the audience about the potential costs and liabilities associated with the power and energy industries due to global climate change. Referring to the lack of consensus within the scientific community regarding the effect of carbon emissions on global warming, Hevesi pointed to the need for more extensive data and greater international cooperation. Two recent scientific studies concluded that global surface air temperature has increased over the 100 years and carbon dioxide levels have shown a marked increase over the past 200 years.

The effects of climate change can be potentially devastating, causing global changes in agricultural production, fluctuation in water supplies, severe weather manifestations, and disrupted energy supplies. Hevesi urged the adoption of practices aimed at identifying future risks, analyzing industries where the impact is greatest, and promoting the development and growth of renewable energy.

"It will be up to the companies we believe in as investors," stated Hevesi, "to expend the costs of time, effort and intelligence about reducing emissions and considering climate change in their business plans. Failure to do so could be astronomically costly to the economy and the planet as a whole."

