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Comptroller DiNapoli Announces "Win-Win" Green Strategic Investment Program



Thomas P. DiNapoli

The New York State Common Retirement Fund (CRF) holds assets in trust for more than one million State employees and retirees, most local governments and some public authorities. As sole trustee, I have a duty to manage the \$153.9 million CRF in a manner that maximizes returns and provides security for its beneficiaries. Since taking office in 2007, I have instituted reforms aimed at making the CRF one of the most transparent and prudently managed funds in the country.

In April, we announced the creation of a \$500 million Green Strategic Investment Program (GSIP) to boost CRF commitments to green and clean technology. GSIP will allow the CRF to take advantage of this growing sector of the economy. Rising energy costs, the threat of climate change and growing public demand for more environmentally safe products have combined to produce attractive green investment opportunities.

The GSIP seeks promising green investments with private equity funds, real estate funds, and public equity managers. Industrial sectors targeted by GSIP include electric generation from renewable resources like solar or wind power, water purification, biofuels and biomaterials, green buildings and transportation technologies.

The GSIP searches for sound, green investment opportunities around the globe. Examples of some of our recent investments in New York State are detailed on the next page. In addition, the CRF has invested in private equity funds that are working to expand production of solar energy, geothermal energy and other cutting edge industries.

I expect this investment strategy to produce attractive returns, leading to a win for the CRF and a win for the environment.

GSIP

Green Strategic Investment Program

The CRF's current green investments under the GSIP include:



CRF Investment: \$1 million

Crystal IS (Green Island, NY) is the market leader in the nitride semiconductor industry, providing devices that are used in stoplights, future high-storage DVDs, military applications, biomedical applications, information technology, wireless communication, display lighting, future high power microwave devices and other applications. This industry is expected to grow to \$10 billion annually by 2010.

Crystal's products have a significant potential "green" impact on solid state lighting. They:

- Provide 100,000+ hours lifetime vs. 2,000 hours for incandescent lights.
- Reduce electric power used for lighting by 50% (both in the U.S. and worldwide).
- May reduce carbon emissions by 200 million tons/year (Optoelectronics Industry Development Association report, October 2000).



ZERO POINT
CLEAN TECH

CRF Investment: \$1 million

Zero Point's biomass gasification and related technologies have the capability to convert abundant, renewable biomass into carbon-neutral distillate fuels, ethanol, electricity, clean water and other valuable products.

Zero Point is commissioning its first industrial scale equipment, and will utilize its pilot facility to produce vehicle-ready diesel fuel for a research project it has launched in cooperation with General Motors and Clarkson University. The company is constructing a gas-to-liquids plant based on the Fischer-Tropsch process in Potsdam, NY.



CRF Investment: \$6.1 million

Innovation Fuels is an emerging renewable fuel company, which is developing projects to produce biofuels from a range of technologies and feed stocks, with an initial focus on biodiesel.

Innovation Fuels is a 20 percent equity owner of a biodiesel production facility in Fulton, NY, that is in the final design and engineering phase. It is also developing a larger biodiesel production facility in rural Washington County in Hampton, NY, and is in the process of securing permits. The company has plans to develop additional biodiesel production plants on sites in New York and New Jersey.



NORTHEAST
BIOFUELS

CRF Investment: \$7.5 million

Northeast Biofuels (NEB) is a producer of ethanol from corn. The NEB plant is located at Riverview Business Park in Volney, NY, about 25 miles north of Syracuse. The 420-acre Riverview complex was formerly a Miller Brewery. Much of the brewing infrastructure is being renovated and adapted to "brew" ethanol. Construction began in the summer of 2006, with production coming online in 2008.

Ethanol can help reduce emissions of carbon dioxide that cause climate change by replacing liquid fuels made from fossil fuels.

NEB and its onsite project participants, BOC and Perdue Farms Inc., will directly and indirectly employ approximately 100 workers, with an estimated 1,500-plus "spin-off" jobs created in agriculture, transportation and other sectors of the Upstate New York economy.

For more information on the GSIP, visit www.osc.state.ny.us/green or call 518-474-4044.

*The **Green Sector** is expected to be one of the fastest growing industrial sectors in the world over the next 25 years.*

Best Green Practices of Municipalities

In May, the Comptroller's Office published "Green Best Practices: How Local Governments Can Reduce Energy Cost and Minimize Impact on Global Climate Change." The report drew on the findings of a survey of green practices used by municipalities across the State. The report identifies cost effective municipal actions to save energy and generate clean renewable energy. Examples discussed in the report include:

- submetering electric use in waste water treatment plants;

- generating electricity or heating water with solar energy; and
- using energy performance contracts to pay for measures such as efficient lighting systems or heating, ventilation and air conditioning (HVAC) systems to reduce electric use.

The report includes case studies from municipalities that have successfully reduced expenditures and pollution related to energy use. For a copy of the report go to www.osc.state.ny.us/green.

Environmental Protection Fund
As of March 31, 2008

Summary of Life-to-Date Appropriations

	Current Appropriation Authority	Year-to-Date	Life-to-Date	Outstanding Encumbrance	Amount Available for Future	Percentage of Available Appropriation
1994 - 2007 Appropriation Summary						
I. Solid Waste	\$290,652,587	\$21,506,234	\$201,561,286	\$27,973,770	\$61,117,531	\$21.03%
II. Parks, Rec. & Hist. Pres.	603,859,000	46,237,825	343,464,912	93,235,936	167,158,152	27.68%
III. Open Space	899,488,413	85,519,476	631,203,963	74,877,811	193,406,639	21.50%
TOTAL	1,794,000,000	153,263,535	1,176,230,161	196,087,517	421,682,322	23.51%
Annual Appropriations:						
2007 Appropriation						
I. Solid Waste	27,350,000	678,449	678,449	3,114,980	23,556,571	86.13%
II. Parks, Rec. & Hist. Pres.	83,100,000	6,320,009	6,320,009	4,786,754	71,993,237	86.63%
III. Open Space	139,550,000	14,372,600	14,372,600	4,993,153	120,184,247	86.12%
TOTAL	250,000,000	21,371,058	21,371,058	12,894,887	215,734,055	86.29%
2006 Appropriation						
I. Solid Waste	23,770,500	1,082,054	1,414,844	2,908,315	19,447,341	81.81%
II. Parks, Rec. & Hist. Pres.	79,970,000	15,585,877	18,980,732	24,962,942	36,026,326	45.05%
III. Open Space	121,259,500	35,977,106	55,269,638	31,789,328	34,200,535	28.20%
TOTAL	225,000,000	52,645,036	75,665,213	59,660,584	89,674,202	39.86%
2005 Appropriation						
I. Solid Waste	18,750,000	3,483,635	4,437,520	3,209,218	11,103,262	59.22%
II. Parks, Rec. & Hist. Pres.	46,815,000	7,038,436	19,224,155	14,377,884	13,212,961	28.22%
III. Open Space	84,435,000	8,920,648	53,395,986	18,987,153	12,051,861	14.27%
TOTAL	150,000,000	19,442,719	77,057,661	36,574,255	36,368,084	24.25%
2004 Appropriation						
I. Solid Waste	16,775,000	3,506,736	9,685,008	5,156,257	1,933,735	11.53%
II. Parks, Rec. & Hist. Pres.	41,565,000	4,490,529	18,662,778	14,161,532	8,740,690	21.03%
III. Open Space	66,660,000	8,535,188	47,052,725	7,242,790	12,364,484	18.55%
TOTAL	125,000,000	16,532,452	75,400,512	26,560,580	23,038,909	18.43%
2003 Appropriation						
I. Solid Waste	16,925,000	1,256,835	12,126,114	2,121,040	2,677,846	15.82%
II. Parks, Rec. & Hist. Pres.	45,665,000	3,829,929	27,627,331	12,296,965	5,740,704	12.57%
III. Open Space	62,410,000	7,079,084	53,927,637	3,888,256	4,594,107	7.36%
TOTAL	125,000,000	12,165,848	93,681,081	18,306,262	13,012,657	10.41%
2002 Appropriations **						
I. Solid Waste	28,355,000	1,959,540	26,022,736	1,356,929	975,335	3.44%
II. Parks, Rec. & Hist. Pres.	95,685,000	4,424,594	74,634,399	10,027,218	11,023,383	11.52%
III. Open Space	125,960,000	6,990,547	112,469,327	5,995,107	7,495,566	5.95%
TOTAL	250,000,000	13,374,681	213,126,462	17,379,254	19,494,284	7.80%
2000 Appropriation						
I. Solid Waste	22,025,000	527,002	18,083,146	3,813,716	128,139	0.58%
II. Parks, Rec. & Hist. Pres.	56,550,000	1,779,379	50,046,018	2,911,466	3,592,516	6.35%
III. Open Space	56,425,000	1,919,972	54,640,444	1,009,603	774,953	1.37%
TOTAL	135,000,000	4,226,353	122,769,608	7,734,785	4,495,608	3.33%
1999 Appropriation						
I. Solid Waste	25,333,319	2,697,827	24,136,900	1,161,118	35,301	0.14%
II. Parks, Rec. & Hist. Pres.	71,500,000	1,542,061	64,202,220	4,801,807	2,495,973	3.49%
III. Open Space	62,641,681	700,962	60,682,298	684,066	1,275,317	2.04%
TOTAL	159,475,000	4,940,850	149,021,418	6,646,991	3,806,591	2.39%
1998 Appropriation						
I. Solid Waste	26,100,000	146,242	23,243,976	2,546,437	309,586	1.19%
II. Parks, Rec. & Hist. Pres.	19,700,000	422,876	15,627,297	2,208,248	1,864,455	9.46%
III. Open Space	44,725,000	452,159	44,512,179	123,530	89,291	0.20%
TOTAL	90,525,000	1,021,277	83,383,453	4,878,215	2,263,332	2.50%
1997 Appropriation						
I. Solid Waste	29,110,000	1,573,277	27,028,121	1,459,780	622,099	2.14%
II. Parks, Rec. & Hist. Pres.	33,800,000	657,905	21,471,977	1,463,664	10,864,359	32.14%
III. Open Space	47,090,000	535,433	47,013,784	34,176	42,040	0.09%
TOTAL	110,000,000	2,766,615	95,513,881	2,957,620	11,528,498	10.48%
1996 Appropriation						
I. Solid Waste	28,655,000	3,751,875	28,053,434	273,250	328,316	1.15%
II. Parks, Rec. & Hist. Pres.	21,624,000	53,231	19,272,025	867,050	1,484,924	6.87%
III. Open Space	49,721,000	-61,231	49,311,915	108,853	300,232	0.60%
TOTAL	100,000,000	3,743,875	96,637,374	1,249,153	2,113,472	2.11%
1995 Appropriation						
I. Solid Waste	15,103,768	705,357	14,479,101	624,667	0	0.00%
II. Parks, Rec. & Hist. Pres.	6,340,000	93,000	5,851,552	370,406	118,043	1.86%
III. Open Space	21,056,232	78,008	21,013,596	21,797	20,839	0.10%
TOTAL	42,500,000	876,365	41,344,248	1,016,869	138,882	0.33%
1994 Appropriation						
I. Solid Waste	12,400,000	137,406	12,171,937	228,063	0	0.00%
II. Parks, Rec. & Hist. Pres.	1,545,000	0	1,544,420	0	580	0.04%
III. Open Space	17,555,000	19,000	17,541,834	0	13,166	0.07%
TOTAL	31,500,000	156,406	31,258,191	228,063	13,746	0.04%

** There was no Environmental Protection Fund appropriation in SFY 2001; there were two appropriations in SFY 2002.

Environmental Protection Fund

Update on Appropriations and Spending



Photo courtesy of New York State Office of Parks, Recreation and Historic Preservation

The State Fiscal Year (SFY) 2008-09 Enacted Budget appropriates a record \$255 million for New York State's Environmental Protection Fund (EPF). Throughout its history, EPF appropriation levels have been a primary interest of parties inside and outside of State government that are concerned with conserving New York's environmental resources. Equally important to consider is how quickly EPF funding is put to work supporting State environmental protection efforts.

The pace of spending from the EPF for SFY 2007-08 lagged slightly behind the pace achieved in SFY 2006-07. In SFY 2007-08, State agencies responsible for implementing EPF programs spent close to \$153 million.¹ EPF spending of \$156 million in SFY 2006-07 set a record.

As of March 31, 2008 the EPF was credited with \$196 million in encumbered but unspent funds, and \$422 million in unencumbered funds for a total of \$618 million that has been appropriated but unspent.² As of March 31, 2008 the EPF's cash balance stood at \$159 million.

Open space protection, at \$85 million, accounts for the majority of EPF funds spent in SFY 2007-2008.

- ❖ Purchase for \$5.1 million of the 6,813 acre National Lead parcel in Tahawus on the southern edge of the Adirondack Park's High Peaks Wilderness Area. The parcel includes Mount Adams, Henderson Lake, the headwaters of the Hudson River, Upper and Lower Preston Ponds and other recreationally and ecologically valuable lands.
- ❖ Purchase for \$15,300 of one-half mile of public fishing rights on Mansfield Creek in Cattaraugus County. This project will improve public fishing access to a stream with naturally reproducing populations of rainbow and brown trout.
- ❖ Purchase for \$2.8 million of 49 acres of Long Island Pine Barrens in the core preservation area. This project preserves lands important for groundwater recharge and preservation of the increasingly rare Long Island Pine Barrens ecotype.
- ❖ Purchase for \$53,900 of 70 acres to add to the Bashakill Wildlife Management Area (WMA). This project enhances the Bashakill WMA, protects biodiversity of the Shawangunk Ridge and expands the Shawangunk Ridge Trail Corridor.

¹ Funds spent in any State fiscal year may be charged against appropriations from prior years. None of the appropriations for the EPF in any State fiscal year have been entirely spent. Only small levels of unspent funds remain from the earliest appropriations to the EPF.

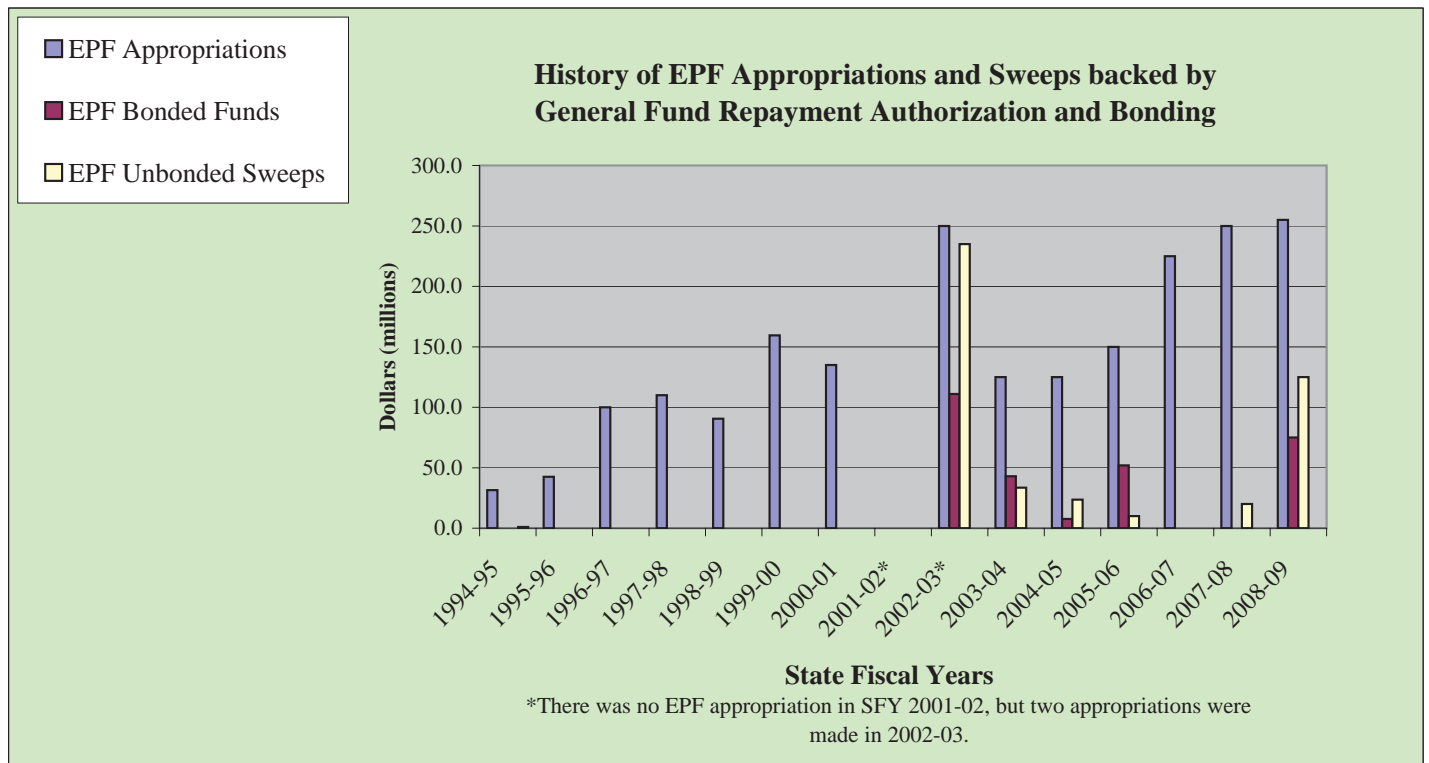
² The term "encumbered" refers to funds that a State agency has allocated for expenditure for a specific purpose and the New York State Division of Budget has certified as available for expenditure.

EPF Sweeps and Borrowing Grow: A Cautionary Note for the Budget and the Fund

When established in 1993, the EPF was intended to be a dedicated, pay-as-you-go source of funding for environmental programs. For its first ten years of operation, Executive Budget proposals to sweep unspent funds to the General Fund were not enacted by the Legislature. For the first time, however, in SFY 2002-03, a transfer of \$346 million in funds from the EPF account to the State General Fund was approved in the Enacted Budget. A separate authorization to transfer up to \$235 million in funds from the General Fund back to the EPF, if necessary to maintain the solvency of the EPF, was also enacted. In addition, the New York State Environmental Facilities Corporation was authorized to issue bonds for up to \$111 million to pay for EPF projects eligible to be financed through bonds.

In subsequent fiscal years, additional sweeps, backed either by bonding or by authorizations to repay the EPF from the General Fund, have occurred. The SFY 2008-09 Enacted Budget authorized an additional sweep of \$200 million, \$75 million of which was backed by bond authorizations. Through the fiscal year ending in 2009, cash sweeps totaling \$735 million have been authorized. Of this total, \$447 million is backed by an authorization for repayment and \$288 million is backed by bonds, which creates significant additional future expenses in the form of interest and other costs associated with debt service on the bonds. To date, no General Fund repayments have been made.

In addition, on March 31, 2008 the EPF was credited with \$196 million in encumbered funds—that is, funds committed to projects but not yet spent—but only \$159 million in available cash resources. The Office of the State Comptroller has cautioned against such budgetary practices, which tend to lead to long-term structural imbalances when commitments are made but resources are not readily available. While this imbalance is intended to be covered by promised future General Fund resources, current and projected State financial conditions could make it difficult for New York to meet not only its EPF obligations, but other program commitments as well.



Comptroller Takes Action on Climate Change

As the sole trustee of the New York State Common Retirement Fund (CRF), it is within Comptroller DiNapoli's fiduciary duty to the members of the State's Retirement System to promote sound management of companies in which the CRF invests. By reviewing public companies' filings with the Securities and Exchange Commission (SEC) and otherwise monitoring corporate activities, the Comptroller is able to identify company behavior that may pose undue risk to CRF investments. Through dialogue with such companies, or in some cases through action on shareholder resolutions, Comptroller DiNapoli has the ability to help influence the governance of companies in the CRF portfolio. Along these lines, the Comptroller has actively pressed for changes in corporate behavior that will help reduce emissions of pollutants that cause climate change, thereby lessening the legal, regulatory and reputational risk posed to the CRF's investments.

For example, in November 2007, Comptroller DiNapoli co-filed a shareholder resolution at CONSOL Energy Inc., the nation's fifth largest coal producer, requesting that the company report to its shareholders its response to rising regulatory, competitive and public pressure to reduce carbon dioxide and other emissions from its products and operations. Nearly 40 percent of the company's shareholders voted in favor of this resolution—the highest vote achieved to date on a shareholder resolution aimed at global warming. The Comptroller co-filed a similar shareholder resolution at Massey Energy Company, whose coal-based business exposes it to the same regulatory concerns as apply to CONSOL. The resolution garnered a significant 30.8% vote in favor. Such strong shareholder support may help convince coal and other energy companies to begin to plan for operations in a carbon-limited economy, making them more secure investments for long-term investors such as the CRF.

In February of this year, the Comptroller addressed the Global Summit of the Investor Network on Climate Risk at the United Nations, an international forum, on the need for institutional investors like the CRF to ensure that the companies in which they invest are adequately assessing the economic risks of climate change. To view the Action Plan developed and adopted by Summit participants, and to learn more about the Summit, click on the "Investors" button on the Ceres home page at the URL listed below.

Comptroller DiNapoli is committed to building on these efforts to address the serious risk that climate change poses to CRF investments and the State's economy.

For more information, visit the Carbon Disclosure Project website at www.cdproject.net.

If you have investments and are interested in using your influence to address climate change, you can learn how by going to the Ceres website at www.ceres.org.

Promoting Green Businesses

The combination of skyrocketing energy costs and a growing public awareness of environmental problems, such as climate change, has created ideal market conditions for businesses that make and sell green products or services. With its excellent universities, well educated workforce and abundant natural resources, New York State is uniquely situated to take advantage of the market demand for these products. In May and June, the Comptroller met with entrepreneurs, university professors, economic development officials and business leaders to discuss ways to foster the growth of green industry in New York State. Issues raised in the sessions included:

- A scarcity of early stage investment funds to support the commercialization of green technological breakthroughs in the lab hampers the growth of the green business sector.
- On a per capita basis, the Upstate region of New York State contains one of the largest concentrations of green jobs in the nation.
- Economic development officials, business officials, elected officials and research institutions are strongly focused on developing business and industry around technologies and policies that create solutions to climate change and other environmental problems.

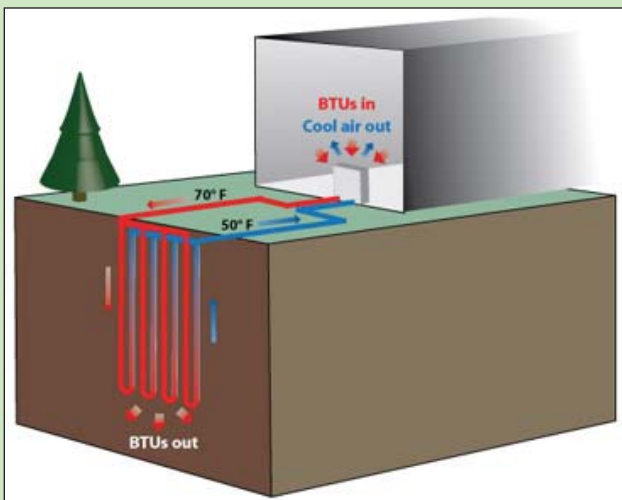


Image courtesy of New York State Energy Research and Development Authority

Comptroller's Report Contributes to Brownfields Reform Effort

In June, Comptroller DiNapoli released a report that evaluated the performance of New York State's Brownfields Cleanup Program (BCP). The report concluded that the BCP was meeting its goals by encouraging the redevelopment of brownfields in economically distressed communities and other communities across the State. It also concluded that the BCP was as effective in promoting cleanup and redevelopment of contaminated sites as the Voluntary Cleanup Program that it replaced. The report found that the program could be improved by more closely tying BCP financial incentives with State policy goals, removing limitations on eligibility applied by the New York State Department of Environmental Conservation and taking steps to mitigate the financial threat posed by the BCP's generous financial incentives.

Ultimately, the Legislature enacted BCP reform measures that provided increased incentives to sites that achieve thorough cleanups and that comply with locally created brownfield redevelopment plans. The reform measures also established cost containment measures for BCP financial incentives.

Best Practices Case Study: Geothermal HVAC in Auburn, New York

The City of Auburn evaluated green alternatives when it decided to upgrade its heating system and add air conditioning in 2002. With assistance from the New York State Energy Research and Development Authority, Auburn determined that a geothermal heating and air conditioning system had upfront costs similar to traditional systems. However, the geothermal system would save approximately \$15,000 annually in operating expenses, and help save the environment by reducing carbon dioxide emissions by 40 percent.

Please join the Comptroller's Green Initiative and save paper by receiving this newsletter electronically.

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

Office of Budget and Policy Analysis
Office of the State Comptroller
110 State Street, 15th Floor
Albany, NY 12236

You can also find more information on our programs at the Comptroller's website at: www.osc.state.ny.us/green

