GREEN INITIATIVE

2013 ANNUAL REPORT

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

THOMAS P. DiNAPOLI

For more information on Comptroller DiNapoli's Green Initiative, visit www.osc.state.ny.us/green.

WELCOME

The Office of the State Comptroller (OSC) continues its efforts to promote sustainable government practices. Increasingly, we find that environmental sustainability and economic sustainability are two sides of the same coin. I am proud of the progress this agency has made in improving its business practices and operations. By promoting sustainability as one of our central values, OSC has continued to improve environmental performance and promote the more efficient use of limited State resources.

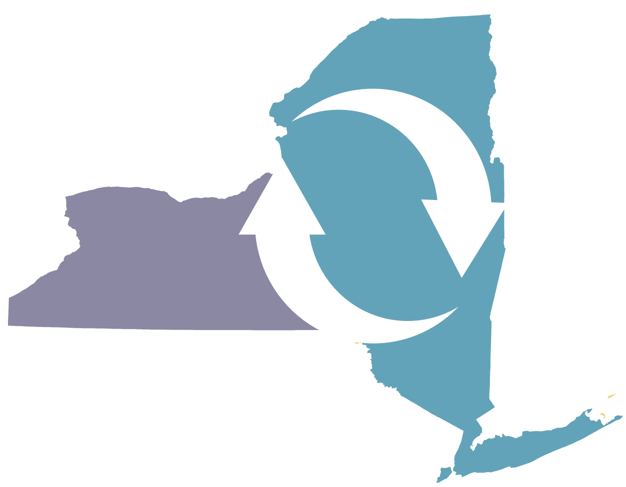
OSC has undertaken numerous environmental audits and provided recommendations for improving the implementation of environmental programs, demonstrating how State agencies and local governments can save money and protect the environment at the same time. In addition, we have taken an in-depth look at green purchasing programs, the implementation of initiatives to promote efficient use of energy by the State, New York's Brownfield Cleanup Program and various agricultural programs.

As we have implemented our Green Strategic Investment Program, we have found investments in all asset classes that meet the New York State Common Retirement Fund's strict return requirements while supporting the growth of the State economy and assisting the State in meeting its environmental policy goals related to renewable energy, recycling and efficiency.

This report provides details on the accomplishments of our Green Initiative. I look forward to your feedback and suggestions on our ongoing work in this vitally important area.

Sincerely,

Thomas P. DiNapoli
State Comptroller



INTRODUCTION

New York State Comptroller Thomas P. DiNapoli issued an Executive Order on Energy and the Environment on September 13, 2007, establishing the goals and structure of a Green Initiative for the Office of the State Comptroller. The Order directs OSC to operate in an environmentally sustainable manner and incorporate long-range environmental planning in daily agency operations. In addition, the Order directs the agency to use its experience to assist other State agencies and local governments in operating in a way that is more environmentally sustainable. By operating more sustainably, State government can prevent environmental harm and ensure that future generations enjoy access to New York's high quality natural resources. Sustainable operations can also help reduce operating costs.

The four components of the Comptroller's Green Initiative are:

AGENCY >> to lead by example in reducing waste and minimizing the use of nonrenewable energy throughout every operation of the Office of the State Comptroller.

AUDITS >> to assist other State agencies, public authorities and local governments in identifying areas for improvement in reducing waste and energy use.

INVESTMENTS >> to make investments in companies in the growing clean technology sector for the benefit of the State's Common Retirement Fund.

POLICY >> to promote a better understanding of the economic and environmental benefits of living and working in a way that sustains our natural resources and reduces the harmful impacts of our decisions and actions.

This report provides an update on the Office of the State Comptroller's progress in implementing the Comptroller's Green Initiative. Key accomplishments include:

>> Increasing the efficiency rating received under the Energy Star for Buildings program.

>> Reducing paper purchases by 39 percent.

>> Implementing paperless business practices that have avoided the use of 1 million sheets of paper.

>> Increasing the recycling of waste by 48 percent.

For more information about these and other initiatives, contact us at www.osc.state.ny.us/green/.htm.

COMPTROLLER DiNAPOLI PROMOTES SUSTAINABLE INVESTING

Comptroller DiNapoli is a vocal proponent of sustainable investing practices. In recognition of his leadership in this area, the Comptroller was invited to author the foreword of a report on environmentally sustainable investment practices released in June of this year. The report, *The 21st Century Investor: Ceres Blueprint for Sustainable Investing*, identifies 10 important practices for investors who are interested in taking advantage of opportunities in sustainably managed companies. The report was released by Ceres, a non-profit organization dedicated to promoting an environmentally sustainable global economy.

Practices identified in the report include: integrating sustainability criteria into the investment decision process; supporting policies and market initiatives that promote a sustainable global economy; and integrating sustainable investment criteria across all asset classes and all strategies.

In the foreword, Comptroller DiNapoli states: “Our goal is simple: we want long-term sustainable economic growth. And we have found from experience that comprehensively integrating environmental, social and governance criteria into the investment process is essential to achieving that goal.”

The Comptroller is Trustee of the New York State Common Retirement Fund (CRF), which holds and invests the assets of the New York State and Local Retirement System. Comptroller DiNapoli’s approach to sustainable investment practices is tied to his fiduciary duty to seek strong risk-adjusted returns on the CRF’s investments for the benefit of the Retirement System’s members, retirees and beneficiaries.

“Our goal is simple: we want long term sustainable economic growth.”

Comptroller DiNapoli

The CRF, like similar large institutional funds, is highly diversified and invested in every sector of the economy. Accordingly, the success of the CRF is strongly tied to the state of the economy and the markets. To provide for the long-term retirement needs of the Retirement System’s 1 million members, retirees and beneficiaries, while minimizing costs for taxpayers, the CRF must grow sustainably over the long term.

Well-managed businesses that focus on the long-term health of the company and work to avoid potential negative impacts on the environment or the communities in which they operate are more likely to produce sound returns for the CRF. There is a growing body of academic research that backs up this belief, and investment firms that include consideration of these sustainability factors in their investment decisions have performed extremely well for the Common Retirement Fund.

Comptroller DiNapoli is committed to expanding the CRF's ability to incorporate these considerations into its investment decision processes, and to seeking investments in businesses and investment funds that exhibit the characteristics of operating sustainably. Further, through corporate governance initiatives, DiNapoli encourages existing portfolio companies to adopt sound management practices if they do not already meet these criteria.

CURRENT SUSTAINABLE INVESTMENTS BY THE CRF

>> Global Equity

- Generations Sustainability Fund
- HSBC Climate Change 100 Index
- FTSE ET 50 Index

>> Private Equity

- Hudson Clean Energy Partners
- Craton Equity Investors Fund
- In-State Private Equity Program:
  - Invenergy — wind energy developer for a wind farm in Western New York.
  - Climax Paper — manufacturer of recycled paperboard products.
  - Crystal IS — maker of devices to reduce energy use in lighting and data storage applications.

>> World Bank Green Bonds

>> In-State commercial real estate mortgage program

- Loans to affordable housing projects that meet standards of environmental efficiency set by our partner, the Community Preservation Corporation.

COMPTROLLER DiNAPOLI PROMOTES SUSTAINABLE MANAGEMENT OF PORTFOLIO COMPANIES

The New York State Common Retirement Fund (CRF), like many institutional investors, is a long-term, "buy and hold" shareholder, with an interest in the long-term success of the companies in its portfolio. It is important to the CRF and other long-term investors to have a clear picture of risks and liabilities in their portfolio companies that may negatively impact the environment, the economy and ultimately the company's shareholders. Accidents and chronic pollution have negatively affected corporate reputations and created liability risk for damages, while resulting regulatory actions have imposed costs and restricted operations. Also, accidental and routine releases of contaminants have the potential to negatively impact sectors of the economy that may rely on the resources damaged by pollution. These threats require a response from investors to protect the value of investments in polluting companies and the industries that may be negatively impacted.

Environmental Leaders Roundtable, 2013

Federal laws and regulations grant shareholders in publicly traded companies certain rights to participate in the management of these companies through resolutions that are voted on by shareholders. Shareholders also seek to impact corporate activity through engaging with corporate management. As Trustee of the CRF, Comptroller DiNapoli has been active in asserting these shareholder rights in promoting sound corporate governance on a broad array of environmental and other issues.

Comptroller DiNapoli filed 65 resolutions in the 2013 cycle of annual meetings, a significant number of which addressed sustainable governance practices. A recent study by the Manhattan Institute for Policy Research found that the Comptroller's Corporate Governance Program filed more shareholder resolutions than any other U.S. pension fund in 2013.

Environmentally themed shareholder resolutions filed by the CRF in 2013 included proposals to:

- Disclose political spending, filed with American Electric Power Company, Anadarko Petroleum Corporation, Consol Energy Incorporated, CF Industries Holdings Incorporated, Marathon Oil Company, Nobel Energy Incorporated, Plum Creek Timber Company Incorporated, The Southern Company and Waste Management Incorporated.
- Require an independent board member with environmental expertise, filed with Chevron Corporation, Freeport McMoRan Copper and Gold Incorporated, and Newfield Exploration Company.

- >> Establish a committee of the board to address environmental and other risks, filed with Chesapeake Energy Corporation.
- >> Report on policies and procedures for eliminating or minimizing the use of toxic substances in hydraulic fracturing fluids, filed with Cabot Oil and Gas Corporation.
- >> Report on costs and benefits of improved handling of spent nuclear fuels, filed with Dominion Resources Incorporated, Entergy Corporation, NextEra Energy Incorporated, and Xcel Energy Incorporated.
- >> Report on policies and procedures to purchase sustainably produced palm oil, rather than palm oil produced from plantations on deforested rainforest or from endangered forest ecosystems, filed with Dunkin' Brands Group Incorporated.
- >> Report on the potential of utilities providing additional energy efficiency and renewable energy services to reduce customer bills and address climate change, filed with Ameren Corporation, DTE Energy Company, SCANA Corporation, and FirstEnergy Corporation.
- >> Evaluate and report on measures to reduce harmful air emissions and water discharges from mountaintop removal practices, filed with Arch Coal Incorporated and TECO Energy Incorporated.
- >> Evaluate and report on the differential costs and benefits of removing newly discovered highly contaminated Hudson River sediments, as compared to the current plan to leave them in the river, filed with General Electric Company.
- >> Report to shareholders on current global expectations for issuer disclosure of environmental, social and governance information, filed with NYSE Euronext.
- >> Report on supply chain sustainability, including compliance with global labor standards, filed with Bed Bath and Beyond Incorporated, Best Buy Company Incorporated, Dollar Tree Incorporated, Hasbro Incorporated, Ralph Lauren Corporation, Staples Incorporated, and Xerox.

Thirteen companies agreed to take the actions requested in the shareholder resolutions, and many of the shareholder resolutions pertaining to sustainability issues that went to a vote garnered significant support. As a result, the Comptroller's shareholder engagement activities have contributed to significant advances in environmentally sound management practices at several corporations—including the agreement by Dunkin Brands Group Incorporated to purchase only certified sustainable, deforestation-free palm oil.

COMPTROLLER DiNAPOLI ENGAGES FOSSIL FUEL COMPANIES ON CLIMATE CHANGE RISKS

Comptroller DiNapoli, along with a broad-based group of institutional investors, has asked fossil fuel companies to assess the risks to shareholder value related to climate change.

Climate change is now widely recognized as a significant threat to the health of the global economy. A variety of sources, including the National Research Council, the U.S. Environmental Protection Agency (US EPA), the World Bank, the United Nations Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency, argue that significant reductions in greenhouse gas emissions are necessary to reduce the risk of changes in the climate that could undermine agricultural production, threaten vital infrastructure and disrupt marine and terrestrial ecosystems.[1] According to these sources, unless emissions of greenhouse gases are dramatically reduced, likely changes in the climate have the potential to produce painful economic losses across the globe.

Combustion of fossil fuels is one of the principal sources of greenhouse gas emissions. According to the US EPA, in the United States, 94 percent of carbon dioxide emissions are due to fossil fuel combustion, and carbon dioxide in turn accounts for 84 percent of greenhouse gas emissions due to human activity.[2] Policies designed to mitigate climate change by limiting emissions of carbon dioxide have been adopted in many nations.

Many of these policies establish a price on emissions of carbon dioxide in order to encourage alternatives to fossil fuels (such as energy efficiency or renewable energy), and to promote the development of technologies to control emissions of carbon dioxide (such as carbon capture and storage). Such policies may also cap emissions of carbon dioxide from new power plants, such as the newly proposed regulations from the US EPA.

Comptroller DiNapoli supports such policies because he believes that the long-term health of the economy depends on addressing the financial risks posed by climate change.

To alleviate these risks, it is important for the fossil fuel industry to be proactive and have plans in place to adapt to potential climate-change-related issues. Comptroller DiNapoli and other institutional investors have asked fossil fuel companies to assess the impacts of policies to reduce greenhouse gas emissions.

1 *National Research Council, "Climate Change: Evidence, Impacts and Choices." (2012)*

2 *http://www.epa.gov/climatechange/ghgemissions/gases/co2.html.*

The Comptroller has also asked fossil fuel companies to report on their plans for future capital investment in the context of growing scientific evidence that the use of reported fossil reserves without adequate remedial measures would likely have severe adverse climate impacts.[3] He has asked these companies to consider their plans in the context of regulatory changes or changing market conditions that may render their traditional business practices unprofitable.

Recently announced closures of coal mines and coal-fired power plants provide examples of the economic hardships for communities and losses for investors that can result from changing regulatory and market environments.

Comptroller DiNapoli receives the Sound Guardian Award, July 2013

Fossil fuel companies have the potential to ensure their long-term financial success by choosing to develop new, low-carbon forms of energy or to control greenhouse gas emissions using capital that they may otherwise have used to identify and develop new reserves.

The Comptroller has specifically asked companies to conduct risk assessments that evaluate business impacts under a scenario in which greenhouse gas emissions are reduced to levels required to prevent the most serious threats of climate change, as recommended by the IPCC. The requested assessment should evaluate:

- Capital expenditure plans for finding and developing new reserves, including consideration of payback periods and alternative uses of capital;
- The potential greenhouse gas emissions associated with production of all unproduced reserves, categorized by resource type;
- The risks to assets, including both current operations and unproduced reserves, due to factors such as carbon pricing, pollution and efficiency standards, removal of subsidies and/or reduced demand;
- The risks to assets, particularly coal mining operations, posed by the physical impacts of climate change, including extreme weather, water stress, and sea level rise; and
- The impacts of the above-referenced risks associated with climate policies and the physical impacts of climate change on the company's current and projected workforce.

3 *United Nations Intergovernmental Panel on Climate Change, Fifth Assessment Report. Climate Change 2013: The Physical Science Basis. Summary for Policymakers. Page 20.*

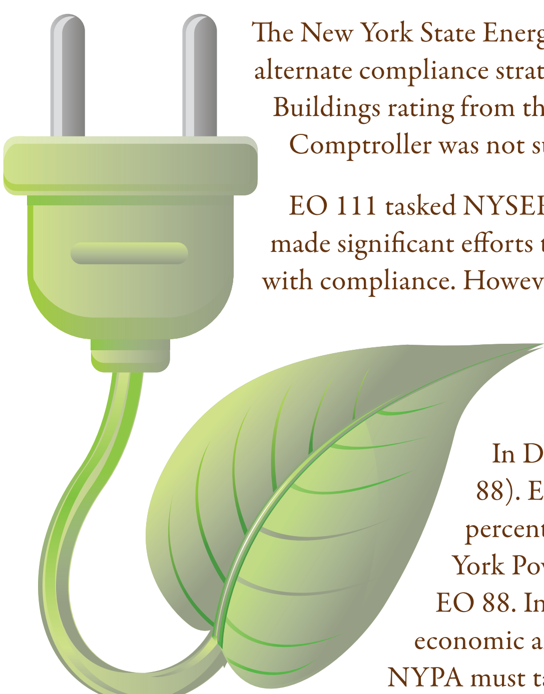
THE COMPTROLLER'S AUDITS IDENTIFY POTENTIAL FOR STATE ENERGY SAVINGS

Comptroller DiNapoli's Division of State Government Accountability evaluated State agency compliance with energy-saving requirements established in Executive Order 111 (EO 111) by Governor Pataki in 2001. Auditors tested whether agencies had complied with EO 111's requirement to develop and implement a plan to reduce energy use by 35 percent, compared against a 1990 baseline.

Energy efficiency is widely accepted as being one of the most economical and environmentally sound means of meeting energy demands. Gains in energy efficiency reduce the need to spend limited tax dollars for electricity and fuel, and avoid the environmental impacts associated with fuel production and electricity generation.

Auditors found that of 111 entities that were subject to EO 111, only 38 issued the required annual reports. Of the reporting entities, only 28 reported data on energy use. These entities achieved an average energy efficiency gain of 22 percent and only four entities achieved the 35 percent reduction required by the Order. Those four are:

- >> **The Dormitory Authority of the State of New York** — 60 percent reduction.
- >> **The Department of Environmental Conservation** — 45 percent reduction.
- >> **The Office for People With Developmental Disabilities** — 39 percent reduction.
- >> **The Office of General Services** — 38 percent reduction.



The New York State Energy Research and Development Authority (NYSERDA) chose an alternate compliance strategy offered by EO 111, which was to achieve an Energy Star for Buildings rating from the U.S. Environmental Protection Agency. The Office of the State Comptroller was not subject to EO 111, but also achieved an Energy Star rating.

EO 111 tasked NYSERDA with overseeing implementation. Auditors found that NYSERDA made significant efforts to provide guidance and to directly and indirectly assist subject entities with compliance. However, the audit also found that NYSERDA's monitoring and oversight of entity compliance was less rigorous. Entities that failed to file reports, or that filed deficient reports, were not held accountable by NYSERDA, and compliance declined over the term of EO 111.

In December 2012, Governor Cuomo signed Executive Order 88 (EO 88). EO 88 requires subject entities to take steps to reduce energy use by 20 percent measured against energy use in State Fiscal Year 2010-11. The New York Power Authority (NYPA) is tasked with overseeing implementation of EO 88. In order to ensure that New York State government delivers on the full economic and environmental benefits of meeting the energy-saving goals of EO 88, NYPA must take decisive steps to monitor and promote compliance by subject entities.

SCHOOL DISTRICT AUDITS SHOW ENVIRONMENTAL BENEFITS AND FINANCIAL SAVINGS

A series of audits conducted by the Office of the State Comptroller found that measures adopted by school districts across the State demonstrate both environmental benefits and financial savings.

HINSDALE SCHOOL DISTRICT

Auditors reviewed operations in the Hinsdale School District in Western New York to determine if the District could save money and energy through lighting equipment upgrades.

Before the audit, the District had not evaluated the potential to save on energy expenditures through energy efficiency retrofits. When faced with the audit question related to energy efficiency, the District took the proactive step of designating a buildings and grounds manager as the District's Energy Conservation Officer, who then worked with auditors to evaluate the potential for lighting upgrades to reduce District energy expenditures. The team found that the installation of more efficient lighting fixtures could reduce the District's energy use by 29 percent. This reduction would reduce District expenditures by $14,203 annually, recouping the outlay for the lighting in less than 3 years and producing a net savings of $162,000 over the useful life of the equipment.

The lighting upgrade would prevent the emission of 73 metric tons of carbon dioxide (CO_2) in addition to emissions of other harmful pollutants. In the aftermath of the audit, the District moved forward to implement high efficiency lighting.

HOMER CENTRAL SCHOOL DISTRICT

Auditors evaluated Homer Central Schools in Central New York to see if cost savings had been achieved by utilizing free information technology applications, and if the District had taken steps to reduce environmental impacts through recycling organic wastes.

The Homer Intermediate School's Building and Grounds Director and a local farmer worked with a teacher and a team of students to launch a pilot program to compost food waste generated in the cafeteria. Composting breaks down organic wastes into mulch-like material that is rich in nutrients and can be a valuable soil additive for gardening and landscaping. The program later spread to the junior high school. By diverting and composting food waste, the District reduced its annual waste generation by approximately 25 percent and avoided expenditures of $1,500 in landfill tipping fees and the purchase of garbage bags.

SENECA FALLS CENTRAL SCHOOL DISTRICT

The Seneca Falls School District in Central New York requested assistance in determining whether to accept an offer of landfill gas from the Seneca Falls Landfill, to offset natural gas used to heat district school buildings. At the time, the landfill was burning, or flaring, gas collected in the landfill at the point of emission.

Auditors determined that the upfront capital expenditures required for the school district to utilize the landfill gas would be recovered in savings in approximately two years. In addition, environmental benefits would be realized by offsetting the District's existing emissions from combustion of natural gas. The Seneca Falls Central School District is currently working with the owner of the landfill to implement this project.

USE OF SCHOOL BUSES FUELED BY LIQUID PROPANE

Auditors examined the use of liquid-propane-fueled school buses by school districts in New York State to determine if the use of these buses conferred financial or other benefits compared to the use of diesel buses. The audit identified both environmental and financial benefits accruing to the use of the propane-fueled buses.

Use of propane in vehicles reduces greenhouse gas emissions by approximately 10 percent when compared with conventional fuels. Propane buses also emit much lower levels of soot and substances that lead to smog formation. Since student bus riders are exposed to emissions from the vehicles in which they ride, buses that operate on cleaner burning fuels expose students to fewer harmful pollutants.

Propane buses are also cheaper to maintain. Many replacement parts for propane buses are relatively less expensive when compared to their diesel counterparts, and propane buses require fewer oil changes and use less oil. Auditors compared costs associated with oil changes and found that the diesel buses cost on average $118 per year more to maintain.

Propane buses are between 6 percent and 8 percent more expensive than diesel buses and get fewer miles (approximately 46 percent less) to the gallon of fuel than diesel. The New York State Energy Research and Development Authority offers grant support to cover the difference in purchase price. At the time of the audit, a federal tax credit for alternative vehicle fuels lowered the price of propane such that it was less expensive per mile traveled (approximately 23 percent) to operate propane buses. The tax credit expired in 2011 and has not been reauthorized. In the absence of the tax credit, fuel costs per mile are 17 percent higher for propane-fueled buses.

USE OF ENVIRONMENTALLY SENSITIVE CLEANING PRODUCTS BY NEW YORK CITY SCHOOLS

Chapter 584 of the Laws of 2005 requires schools in New York State to purchase and use environmentally sensitive cleaning products. Use of these products reduces exposures of both staff and students to cleaning and maintenance products containing toxic substances. In general, these products are as effective or more effective than traditional products, and priced competitively. The Office of General Services has produced lists of products that meet the requirements of the law.

The New York City Department of Education (DOE) is responsible for 1.1 million students and operates 1,275 facilities, 1,126 of which are cleaned by DOE engineers, 114 by contractors and

35 by the facility landlord. A 2008 audit of New York City schools found uneven compliance with the law and made six recommendations for improvements. Recommendations included:

1. Notify all principals of the green cleaning requirements of the law.
2. Require all custodial engineers to meet periodically with principals to review green cleaning compliance.
3. Remove non-green cleaning products from DOE's cleaning products catalog.
4. Provide written instructions to assist custodial staff in complying with the law. Require submission of inventories of cleaning products present in DOE facilities to ensure that only compliant products are used.
5. Monitor cleaning practices at all DOE facilities — particularly those cleaned by contractors and landlords — to ensure that only compliant products are used.
6. Require the Deputy Directors of Facilities to submit written reports documenting problems that are identified during visits to school facilities.

In June 2012, the Office of the State Comptroller conducted a follow-up audit and subsequently sent a letter to the DOE Chancellor, outlining DOE's progress in addressing deficiencies identified in the 2008 audit. The follow-up audit found that while recommendations 1 through 3 had been fully implemented, recommendations 4 and 5 had only been partially implemented and the DOE had failed to implement recommendation 6.

Auditors visited a sample of 25 schools and found that while the majority of products purchased were compliant, a significant number of non-compliant products were still in use. By allowing non-green products to be used, DOE unnecessarily exposes students and staff to potential harm.

THE COMPTROLLER'S REPORTS HIGHLIGHT THE ECONOMIC BENEFITS OF AGRICULTURE

Farming, along with the industries it supports, provides a significant boost to the New York State economy, according to reports produced by the Office of the State Comptroller. Products from New York's 36,300 farms generated $4.7 billion in sales in 2010. When combined with food processing, food preparation and sales amount to approximately $96.9 billion.

New York's farms put the State among the leaders for production of certain agricultural products. For example:

- New York State is the nation's fourth leading milk producer, with $2.2 billion in sales in 2010. Milk accounts for about half of the State's total agricultural sales.
- New York is number one in cottage cheese and sour cream production and moving up the ranks in yogurt.
- New York is number two in apple production, wine production, maple syrup and cabbages.

Agriculture is important at the State level, but plays an even larger role at the local and regional levels:

- 18 counties in the State had agricultural sales of more than $100 million in 2007.
- The top three agricultural counties of Suffolk, Wyoming and Cayuga each had agricultural sales in excess of $200 million in 2007.

With $243 million in annual sales, Suffolk County on Long Island generates the largest agricultural sales of any county in the State. While widely viewed as a metropolitan/suburban region of the State, in some ways, Long Island leads the State in both farm production and farm policy.

- Long Island is the State's top producer of sod, nursery and floriculture products.
- Long Island is also tops in production of pumpkins, tomatoes and cauliflower.
- In 1974, Suffolk County was the first county in the nation to establish a farmland protection program based on purchase of development rights.

Farmers and municipalities have the potential to gain a bigger economic benefit from their agricultural production through marketing directly to local consumers. Direct sales of agricultural produce can increase the economic output in a community by a multiplier of between 1.55 and 1.78 times the amount of direct sales, according to some estimates.[4] New York State has made promotion of farmers' markets a priority, and as a result the number of such markets in the State has more than doubled since 2000. The value of direct-to-customer sales by farmers

4 O'Hara, Jeffrey K., *Market Forces: Creating Jobs Through Public Investment in Local and Regional Food Systems*. Union of Concerned Scientists. (2011)

has grown to $362 million, an increase of 57.4 percent since 2000. Initiatives to promote the sale of fresh, locally grown produce in areas that are not well served by supermarkets has expanded the availability of healthy foods for low-income families. According to U.S. Census Bureau data, the percentage of farms in New York engaged in direct-to-consumer marketing is about twice the national average.

The number of farms in New York State decreased by approximately 4 percent between 2001 and 2011, while the amount of land in agricultural production decreased by 9 percent. Given the importance of agriculture to the State, it is important to address these declines. The Comptroller's reports on agriculture, including *Agriculture by the Numbers: New York Farming is Big Business*, *Farmers' Markets in New York City* and *Agriculture in Long Island*, identified a number of recommendations to promote the growth of agriculture. These include:

- >> Support programs to assist farmers in direct marketing to consumers.
- >> Identify and remedy sources of delay in expenditure of farmland protection funds.
- >> Help municipalities identify and conserve the lands that contribute to the economy and provide ecosystem services by giving all municipalities authority to create community preservation funds.
- >> Encourage private land conservation through support of soil and water conservation districts, private land trusts and other organizations that assist land owners in developing and implementing management and conservation plans.
- >> Consider tax abatements that reflect the value of ecosystem services. Other states have less restrictive and more broadly purposed programs to abate taxes on land held as open space.

COMPTROLLER DINAPOLI REVIEWS BROWNFIELD PROGRAM

In April 2013, Comptroller DiNapoli released a report evaluating New York State's Brownfield Cleanup Program (BCP). Contamination of properties due to prior and current uses has hurt the local economy in many communities and posed threats to public health and environmental resources. In 2003, Comptroller DiNapoli, then in the Assembly, and Senator Carl Marcellino led a bipartisan effort to expand the reach of State programs to clean up these properties. The BCP was one outcome of this initiative.

The BCP provides incentives for private parties to clean up and reuse contaminated properties. Incentives include liability protections, standardized cleanups and tax credits that can equal as much as 50 percent of cleanup expenditures and 22 percent of redevelopment costs associated with the site. Tax credits accrue automatically, or as-of-right, to parties admitted to the program.

The report found that as of February 2013, 128 sites had been remediated at a cost of close to $1 billion, mostly in the form of tax credits. The credits awarded under the program, widely considered to be among the most generous in the nation, have ranged from a low of $120 to a high of $113.8 million, with an average of $9.4 million per site. Based on an analysis of the 389 sites currently enrolled in the BCP, the report projected a potential overall tax credit liability to the State of $3.3 billion.

To control costs, the report recommended that the Legislature consider maintaining as-of-right tax credits for site clean-ups, but decouple the tax credits for site redevelopment from admission to the program. Decisions regarding the incentives needed to encourage development of the reclaimed properties should reside with the State's economic development agencies. This move could reduce the State's financial liability by focusing the most generous incentives on projects that meet the State's objectives for economic and community development, and that would not otherwise be economically viable.

Based on an evaluation of the experience with brownfield cleanup programs in New York and neighboring states, the report set out a series of recommendations to reach more contaminated sites in a more cost-effective manner. These include:

>> Maintain tax credits for cleanup costs, provide additional benefits where projects are consistent with local and State economic development priorities, and restrict credits for development costs for projects that can proceed without State assistance.

>> Provide State support from existing revenue sources for the environmental and other assessments that municipalities or project developers currently must undertake before deciding to proceed with a cleanup.

>> Identify potential new sources of financing to support cleanup of municipally owned sites under the existing Environmental Restoration Program.

>> Authorize a new program that provides liability protections and a streamlined cleanup process without financial incentives for sites with limited contamination based on the expired Voluntary Cleanup Program.

>> Reduce administrative burdens to simplify participation in the cleanup programs.

>> Partner with municipalities to increase overall capacity for brownfield remediation.

>> Require detailed public reporting on redevelopment projects, and enhance the State's database of environmental remediation sites.

PAPER USE REDUCTION

In implementing payment processing policies for the new Statewide Financial System (SFS), the Office of the State Comptroller established paperless options for submission of vouchers and voucher-related forms. This move to electronic submission of vouchers saved the State more than 630,000 sheets or 1,260 reams of paper.

In addition, OSC's Bureau of State Expenditures created email accounts to receive information from State agencies and vendors. A large volume of this communication occurs via fax. By receiving these communications electronically, the Office of the State Comptroller saved approximately 30,000 sheets of paper.

Another initiative developed to accelerate payment processing through SFS was the creation of a Statewide Vendor File. Through this system, the Office of the State Comptroller encouraged vendors to receive payments electronically. As a result, the Office of the State Comptroller issued 338,000 fewer paper checks, as vendors chose the electronic option.

In total, the initiatives implemented in SFY 2012-13 saved the State approximately 1 million sheets of paper in the first year of execution.

Comptroller DiNapoli is honored for his role as co-sponsor of the landmark Pine Barrens Protection Act, October 2013

Furthermore, agency-wide use of paper has been significantly reduced since the launch of the Comptroller's Green Initiative. This reduction has been achieved through setting the default setting on printers and copiers to double-sided copying and encouraging the transmission of and editing of documents in electronic formats. In SFY 2007-08, the Office of the State Comptroller purchased 43,813 reams of paper. In SFY 2011-12, the Office purchased 26,535 reams, representing a 39 percent reduction.

ENERGY

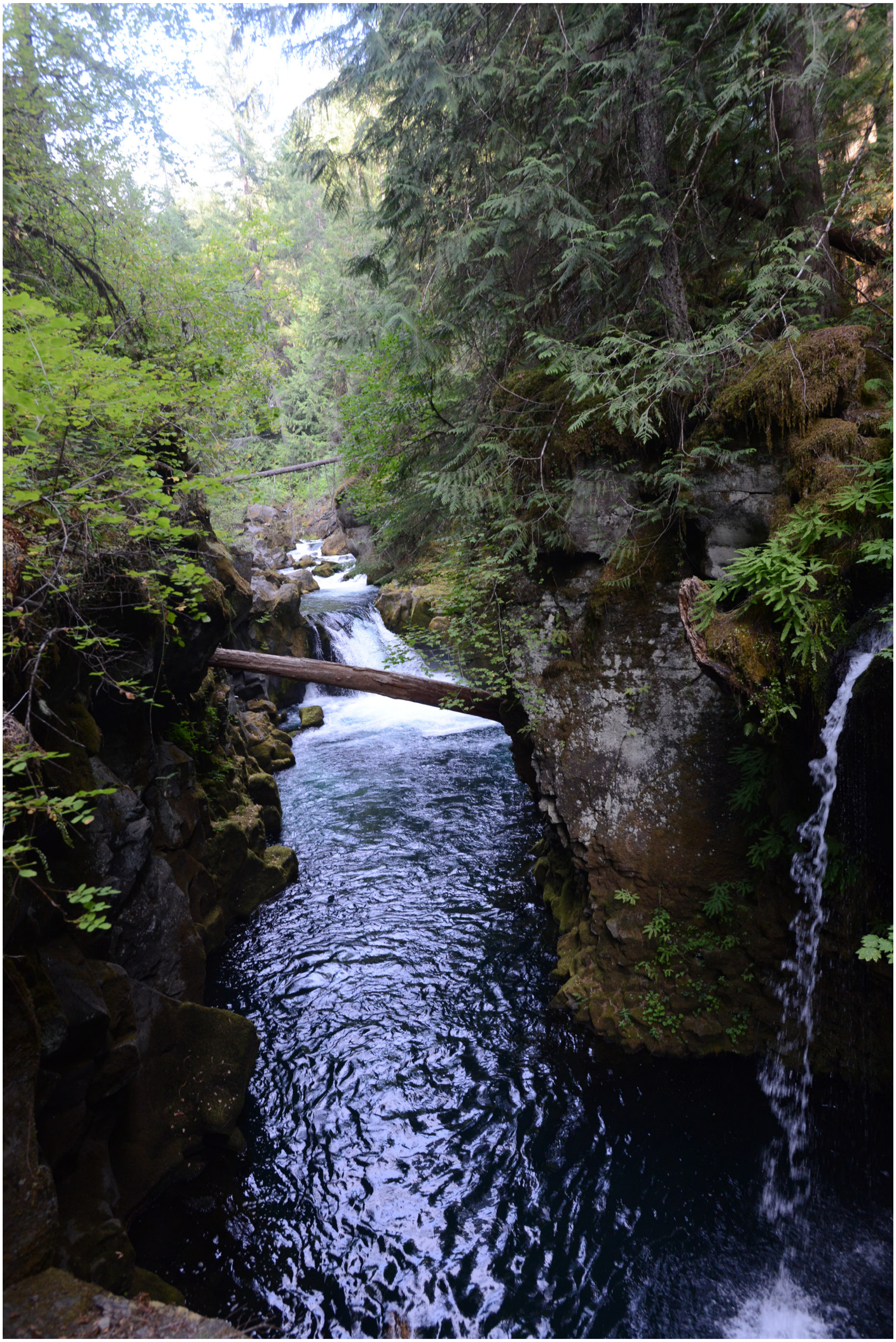
Instituting low or no-cost efficiency measures identified through retro-commissioning at the Office of the State Comptroller's main office at 110 State Street in Albany earned the building a score of 78 on the Environmental Protection Agency's (EPA) Energy Star for Buildings 1-100 rating system. The Energy Star for Buildings score provides a relative energy efficiency rank for a building compared to similar buildings nationwide.

The building has earned an Energy Star certification in each year from 2010 to 2013. In that time, the building's rating has increased to 81.

CONTINUING SUSTAINABILITY INITIATIVES

The Office of the State Comptroller has continued the implementation of key sustainability initiatives discussed in previous reports, including:

- >> Purchase of 100 percent recycled content paper for copiers, printers and the majority of in-house printing. The Office has created a working group to explore the potential of printing high volume procured print jobs on 100 percent recycled paper.
- >> Adjustments to building lighting, such as reduced lighting in low-use areas.
- >> Improved regulation of average building temperatures, which are lower in winter and higher in summer while remaining within OSHA comfort ranges.
- >> Better management of electrical equipment, such as directing employees to turn off equipment at the end of the day.
- >> Enhanced e-publishing efforts in divisions within the Office of the State Comptroller that publish numerous reports and documents. Reports and other documents that are not required to be printed in hard copy are published electronically. Hard copies will be provided on request to parties who would not have access otherwise.
- >> Purchase of environmentally preferable cleaning products.
- >> Use of the "OSC-bay" initiative, through which OSC's divisions can return new or gently used supplies to stock and other divisions can acquire the supplies free of charge.
- >> Purchase of hybrid electric vehicles as agency fleet vehicles reach replacement age.
- >> Installation of low-volume, automatic sink fixtures in restrooms at 110 State Street.
- >> Increased recycling efforts. Since 2011, the recycling of waste at OSC increased from 275 metric tons to 406 metric tons.



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