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Federal

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(The House and Senate will return from recess on November 13th)

Senate Holds Hearing on “Tax Reform and the Tax Treatment of Capital Gains.”

Please see the attached memo on a recent joint hearing by the Senate Finance Committee and House Ways and Means Committee on “Tax Reform and the Tax Treatment of Capital Gains.”

[Tax Reform Hearing Memo](#)

Congress’ Research Arm Releases Cyber Security Report

The Congressional Research Service has released a report, [“Pipeline Cybersecurity: Federal Policy”](#), which weighs the various pros and cons of pipeline cybersecurity regulation. The 10-page document specifically references the [TSA Pipeline Security Guidelines](#) (April, 2011), corporate security reviews, critical facility inspections, and other programs headed up by the TSA Pipeline Security Division, which has authority over pipeline cybersecurity matters. Overall, the report broadly covers pipeline security risks, related cybersecurity initiatives, and the adequacy of voluntary pipeline cybersecurity efforts. The document also makes clear the current TSA Pipeline Security Division’s position on regulating the pipeline sector.

Congressional Members Send Dueling LNG Letters to DOE

On September 24, sixteen Congressmen, all representing Western states, sent a [joint letter](#) to the Department of Energy urging the department to move expeditiously on approving pending LNG export projects. Specifically, the letter requests that DOE “avoid any delays in the approval process for pending projects and asks for renewed urgency in completing the macroeconomic study” that the department is having done on the issue. The study, which is to look at the economic impacts of LNG exports, has been delayed, likely until after the election.

It is the opinion of the lawmakers that “creating more opportunities to sell natural gas into global markets and access overseas customers could help the goals of increasing natural gas use and smooth our historical boom-bust cycles.”

Several days later, 20 democratic House Members [sent a letter](#) to the contrary to Secretary Chu imploring DOE to consider the potential for adverse impacts of LNG exporting on the environment.

Senate Approves Energy Efficiency-Related Legislation

Earlier this month the Senate unanimously approved a bill [Enabling Energy Savings Innovations Act](#), H.R. 4850, with two amendments. The legislation would establish efficiency standards for certain specialized products and provide the Energy Department with the flexibility to consider new technologies in achieving energy efficiency goals. Amendments to the bill include proposals to coordinate research and development among DOE offices, and another to continue the Department of Energy appliance efficiency program. ([press release](#))

Congressional Research Arm Releases Report on Carbon Tax

According to a report by the Congressional Research Service, levying a tax on carbon dioxide and other greenhouse gases could result in cutting more than 50 percent of the federal deficit over the next decade. ([report](#))

State

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State Comptroller Announces Early Warning System to Identify Local Governments in Fiscal Distress

As more and more local governments throughout the state face significant fiscal stress, State Comptroller Tom DiNapoli has [announced](#) an early warning monitoring system to identify municipalities and school districts experiencing signs of budgetary strain so that corrective actions can be taken before a full financial crisis develops.

The Comptroller said:

“Local officials are struggling to cope with considerable economic challenges and structural budget imbalances and the situation may only get worse. That's why my office is proposing an early warning system that will identify those headed down the path to fiscal crisis sooner and give local officials and the public sufficient time to discuss options for turning things around.”

The system will rely on data already submitted by more than 4,000 local governments. The Comptroller's office will calculate and release an overall "score" of fiscal stress for municipalities and school district across the state. It will identify those local governments and school districts that are in "significant fiscal stress," "moderate fiscal stress," or "nearing fiscal stress."

The system will rely on nine financial indicators, including cash-on-hand and patterns of operating deficits, along with demographic information like population trends and tax assessment growth.

The Comptroller will distribute information about the system to local governments for their review, and intends to implement the system in January for those localities whose fiscal years ends December 31, 2012. Other local governments and school districts, whose fiscal years end at various periods throughout the year, will be brought into the system later.

The Comptroller also released a [report](#) examining the demographic and financial trends of New York's 61 cities (except for New York City) over the past three decades. It finds that many cities throughout the state are struggling to balance their budgets while trying to deal with deteriorating local economies.

DiNapoli: August Cash Report Shows Continued Economic Uncertainty

Tax receipts through August 2012 were \$147 million below projections and \$204.3 million below collections for the same period last year, reflecting continued volatile economic conditions, according to the [August Cash Report](#) released today by State Comptroller Thomas P. DiNapoli.

All Funds tax collections of \$24.7 billion through August were \$147 million below revised Financial Plan projections and \$118 million below initial projections through August from the Enacted Budget Financial Plan. Collections were 0.8 percent, or \$204.3 million lower than last year for the same period. The main factors in the year-over-year decline were the \$188.4 million, or 1.2 percent, decline in PIT collections and the \$42.8 million, or 0.7 percent fall in consumption and use collections.

The General Fund ended August with a balance of \$1.5 billion, or \$273.5 million higher than projected in the Financial Plan updated in July.

Other findings from the August Cash Report include:

- General Fund tax collections totaled \$16.7 billion, reflecting a decrease of \$103.5 million, or 0.6 percent from last year for the same period, and \$66 million lower than recently revised Financial Plan projections.
- General Fund PIT collections through the first five months totaled \$11.2 billion, representing a decline of 1.3 percent, or \$149.5 million, from last year. Year-to-date PIT collections were \$21.7 million lower than revised Financial Plan projections.
- General Fund Consumption and use tax collections decreased 0.7 percent to \$3.6 billion, and were \$8 million higher than revised Financial Plan projections. General Fund business tax collections of \$1.4 billion were \$69.5 million, or 5.1 percent, more than collections through the same period last year, but \$54 million below Financial Plan projections.
- All Funds receipts of \$49.5 billion were 5 percent, or \$2.6 billion, lower than last year. Federal receipts are down by \$2.8 billion, or 14.7 percent, so far this year. Tax collections were \$204.3 million lower than from the same period last year. These declines were partially offset by miscellaneous receipts, which increased \$338.5 million or 4 percent from last year.

NYS Comptroller DiNapoli Releases LIPA Report

A [report](#) released by NYS Comptroller Thomas DiNapoli concluded that reforms are essential to improving results for customers of the Long Island Power Authority (“LIPA”). “A review of LIPA's rate growth, high-paid executives, and heavy debt load demonstrate a change is needed. Current efforts underway to improve results for LIPA's ratepayers...are much needed and long overdue,” DiNapoli said.

According to the report, LIPA customers' bills have consistently outpaced those of other utilities in New York State, the Northeast, and the United States. Such customers paid an average of \$463 more per year for electricity in 2011 than they did in 2001. This is due, in part, to storm costs exceeding 80% of the allotted budget in that time period. Additionally, LIPA's customers continue to be responsible for more than \$6.8 billion in outstanding debt inherited from the Long Island Lighting Company (“LILCO”) when the Legislature created LIPA to control electricity costs in that service territory.

Significant efforts to reform LIPA are underway. An investigation by the State Inspector General and audits conducted by the Public Service Commission are expected to produce recommendations on how to improve the accountability, transparency, and efficiency of LIPA for its customers.

City

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City Council Approves Seward Park Construction

Plans for a massive Seward Park mixed-use development finally won City Council approval Thursday afternoon. The redevelopment of the seven-acre Lower East Side site has been more than 50 years in the making.

The City Council voted unanimously in favor of the modified version of the plan that was approved by two City Council subcommittees last week. The revised strategy involves transforming city-owned parking lots south of Delancey Street, near the Williamsburg Bridge, into a mixed-use development boasting over nearly 2 million square feet. The site has become known as the Seward Park Urban Renewal Area.

The Seward Park project, the largest redevelopment of underutilized city owned land south of 96th Street in Manhattan in years, will now move to the mayor's office for final sign off.