

**ECONOMIC DEVELOPMENT & ENERGY COMMITTEE  
of the  
Suffolk County Legislature**

**Minutes**

A regular meeting of the Economic Development & Energy Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on **July 29, 2002**.

**Members Present:**

Legislator Jonathan Cooper - Chair  
Legislator Fred Towle - Vice-Chair  
Legislator George Guldi  
Legislator Vivian Fisher  
Legislator Allan Binder

**Also in Attendance:**

Paul Sabatino - Counsel to the Legislature  
Richard Lapsley - Aide to Legislator Cooper  
Linda Burkhardt - Aide to Presiding Officer Tonna  
Nanette Essel - Aide to Legislator Fisher  
Fred Pollert - Director/Budget Review Office  
Robert Lipp - Budget Review Office  
Nicole DeAngelo - Intergovernmental Relations/County Exec's Office  
Eben Bronfman - Aide to Legislator Guldi  
Alice Amrhein - Commissioner/SC Department of Economic Development  
Fred Bender - Suffolk County Department of Economic Development  
Todd Shapiro - Shapiro & Associates  
Wayne Prospect - Shapiro & Associates  
Vinnie Frigeria - KeySpan  
Gordian Raacke - Executive Director/Civizens Advisory Board  
Matthew Crosson - President/Long Island Association  
Jamie Herzlich - Newsday  
Valerie Burgher - Newsday  
All Other Interested Parties

**Minutes Taken By:**

Alison Mahoney - Court Stenographer

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(\*THE MEETING WAS CALLED TO ORDER AT 10:46 A.M.\*)

**CHAIRMAN COOPER:**

Good morning. I'd like to welcome everyone to the July 29th meeting of the Economic Development & Energy Committee. Legislator Binder, if you can lead us in the pledge, please.

**Salutation**

Legislator Fisher would like to make a presentation.

**LEG. FISHER:**

Thank you, Mr. Chairman. As we have read in the papers, Alice Amrhein is going to be -- has retired.

LEG. TOWLE:

It's not true.

MS. AMRHEIN:

Thirty days, that's it.

LEG. FISHER:

And I just wanted to express my appreciation because Alice has been such a supportive person, such a wealth of information, a person who has really helped my Energy Advisory Task Force move forward, she took on the position of chairperson, organized it, helped direct it, moved it in the right direction. You have been an invaluable resource as far as making the downtown revitalization monies and their distribution work for us. You have just been someone that I've been able to rely on in the four years that I've been in the Legislature. So I have a proclamation for you, Alice, for you to take with you and hang on the wall. I should have put an antique frame around it. We all where wish you well. We all thank you for the work that you've done and I'm sure others will, you know, have an another opportunity to wish you well, but I did want to personally thank you for all you've done and given. Thank you very much, Alice.

MS. AMRHEIN:

Thank you very much.

LEG. FISHER:

And good luck to you.

Applause

MS. AMRHEIN:

I just want to say thank you to the committee. I really enjoyed working with this committee and I think that you really are very well focused and I think Legislator Cooper has had a very good effect on the management of the committee. So thank you very much for your help. And I was going to call you but everyone got a chance to read it in Newsday before I got a chance to call anyone. But thank you.

CHAIRMAN COOPER:

Thank you, Alice. We have one speaker card, Fred Bender.

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MR. BENDER:

Good morning. Thank you.

LEG. FISHER:

Congratulations to you, too, Fred; Fred's also retiring.

LEG. GULDI:

Anybody going to be left?

MR. BENDER:

I'm here on behalf of the Department of Economic Development to ask the Economic Development Committee to reaffirm its support for Home Rule Resolution 07-02 which grants foreign trade zone subzone status to Bristol Myers in Garden City.

I know there's been some concerns from some of the other Legislators and it's been tabled twice at the full meetings, and if this committee

can do all they can to perhaps endorse it at the August 6th meeting and get it presented and passed, the department would truly appreciate it. I have a fact sheet here on the pros of doing this for Bristol Myers, it involves some 80 Suffolk County employees retaining their jobs and giving Bristol Myers/Dupont the ability to further expand on Long Island.

It has all the economic development merits of any project and it does not in any way jeopardize the County or its foreign trade zone since we are the grantee. Bristol Myers will perform as the operator on the contract at an arm's length basis with Suffolk County, they will respond directly to the Federal government in the operation of the zone. It seems to be the sticking point with some of the other Legislators who didn't quite understand it.

So I have a handout here if it's of any use to you and I just appreciate it if you could endorse it. Any questions on it? It's already passed your committee. They're right here.

LEG. TOWLE:

If you could forward us a copy of those pros and cons, that would be great.

MR. BENDER:

Thank you.

CHAIRMAN COOPER:

Thank you.

LEG. FISHER:

Good luck.

CHAIRMAN COOPER:

I would like to now move very quickly to the agenda, there are just a couple of brief items on the agenda.

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#### INTRODUCTORY RESOLUTIONS

We have IR 1795 -02 (P) - Accepting and appropriating Clean Cities Coalition Grant for downtown revitalization (Fisher). Is there a motion?

LEG. FISHER:

Motion to approve.

CHAIRMAN COOPER:

Second?

LEG. GULDI:

Second.

LEG. TOWLE:

Explanation.

LEG. FISHER:

I have been working with the Chambers of Commerce in the Three Villages and Port Jefferson to secure downtown revitalization monies to create a shuttle, an alternative fuel circulator bus going from

Stony Brook to Port Jefferson.

We have had a feasibility study done for this project, we have been talking about it with Bob Shinnick for three years now. And my office applied for a Clean Cities Coalition Grant for an alternative fuel vehicle and what this resolution would do would be to put us in a position of accepting the grant and then we'll continue trying to get other funding sources to get this alternative fuel vehicle that could serve as a proto type for other areas in Suffolk County or perhaps a pilot program on having neighborhood circulator buses that would act as shuttles between -- among hamlets, okay; this would connect Stony Brook with Setauket and Port Jefferson and then go back again. It would be a trolley style bus to try to attract people to public transportation and it would connect people to hospitals and art venues and employment. But I can't move forward unless we have a resolution accepting the money.

LEG. TOWLE:

Just one follow-up question, if I could.

CHAIRMAN COOPER:

Please.

LEG. TOWLE:

Any County matching funds to this at all?

LEG. FISHER:

Well, we have the downtown revitalization funds that we have earmarked for this project in the rounds of downtown revitalization.

LEG. TOWLE:

Out of your district contingencies, right?

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LEG. FISHER:

Yes.

LEG. TOWLE:

But nothing else, though, right, no other funding?

LEG. FISHER:

Not for the Capital program, no.

LEG. TOWLE:

Anything for operating the bus?

LEG. FISHER:

Well, what we're trying to do is figure out how we would do the operating funds. The Brookhaven Town liaison person that we've been working with, Tony {Ilosio}, has been working with Bob Shinnick perhaps making this part of an existing route to try to save operating costs. And we're looking for State funds to help us with operating costs as well as capital costs.

LEG. BINDER:

Mr. Chairman?

LEG. FISHER:

Allan, you have a question? I didn't think he saw you.

CHAIRMAN COOPER:  
Legislator Binder.

LEG. BINDER:  
My concern I guess would be there's a bus system in the Town of  
Huntington called the Hart Bus System.

LEG. FISHER:  
Yes.

LEG. BINDER:  
And through the years we have attempted to see if we can get money  
supplemented from Suffolk County and that's never been something that  
this Legislature or the County governments wanted to do. They say,  
well, Hart acts on its own. I'd be -- I'd have real problems with the  
County moving into areas when we first haven't helped Huntington out  
when we start looking at new programs in other places. So I'd be  
concerned.

I mean, I don't mind if you want to accept the money and it's separate  
from a County program and Brookhaven wants to do it and Brookhaven  
wants to do a Hart type bus system, all well and good. But I'd have a  
real problem with before we address Huntington's needs and  
Huntington's concerns on the Hart bus system, moving into new routes  
and things like that so.

LEG. FISHER:  
Well, this wouldn't be a separate bus system, it's only a seven mile  
route and one bus, so it would certainly not be a bus system. It is

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not separate and distinct from the current route, it is a supplement  
to the S60 Route that runs along 25A.

LEG. BINDER:  
The fact is in Huntington that there are Suffolk buses that run  
through Huntington also, there had been, a lot of them are extensions  
of those but we haven't been able to get funding for that. So I'd have  
a real problem with talking about adding other places before there was  
a discussion about what we can do with the Hart system in Huntington  
now. If Brookhaven Legislators want to see this happen and want to  
add on and expand the system, I would just hope that we can have a  
discussion about what we could do to help the Hart system in  
Huntington at the same time so there would be some kind of parody.

LEG. FISHER:  
Okay. And it should be understood that the downtown revitalization  
monies that were available to all Legislative Districts, the Chamber  
of commerce in my district opted to put the lion's share of the money  
coming to our district into this project because of the congestion in  
Port Jefferson and the lack of connection among the hamlets and the  
Village of Port Jeff. And so this was not money that was not  
available to all districts through the Downtown Revitalization  
Program, so it certainly is within those parameters as far as monies  
being given to different districts. This is not more, in fact, it's  
less because it hasn't been spent yet; we have been building up a  
balance of the downtown revitalization monies so that we could work on  
this project.

LEG. TOWLE:  
Legislator Cooper?

CHAIRMAN COOPER:  
We have a motion and a second. All those in favor of 1795? Opposed?  
Abstentions?

LEG. TOWLE:  
As long as there's contingency money, that's all that matters.

CHAIRMAN COOPER:  
IR 1795 is approved (VOTE: 5-0-0-0).

LEG. FISHER:  
I will definitely keep the committee apprised of what's going on with  
the project. Thank you.

CHAIRMAN COOPER:  
Thank you.

#### SENSE RESOLUTIONS

Sense 50-2002 - Memorializing Resolution requesting State of New York  
to cap carbon dioxide emissions from power plants (Fisher). Is there  
a motion?

LEG. FISHER:  
Motion to approve.

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LEG. GULDI:  
Second.

CHAIRMAN COOPER:  
All those in favor?

LEG. BINDER:  
On the motion.

LEG. TOWLE:  
Explanation.

LEG. BINDER:  
Can I have just -- is it specific as to what cap that we're requesting  
or in general?

LEG. FISHER:  
The Governor, Governor Pataki over a year ago set up a task force to  
study greenhouse effects and looking at capping carbon dioxide from  
emissions from power plants. This Sense Resolution is asking that he  
move forward with the task force recommendations, his task force  
recommendations, and to cap carbon dioxide in power plants.

LEG. TOWLE:  
Is there a resolution, a State resolution now or just a committee  
report?

LEG. FISHER:

I believe it's just a report. I don't think that there was a resolution in place yet, it was the committee report. I didn't know if they had done anything over the summer.

MR. SABATINO:

No resolution right now, just a report.

LEG. TOWLE:

Do you have a copy of the report? Because I didn't get that as backup.

LEG. FISHER:

We would have to send it to you.

LEG. TOWLE:

Yeah, I just would want to look at the report before I move it.

LEG. FISHER:

Okay. Gordian, do you have any of the details on the report with you, would you know?

MR. RAACKE:

I don't have it with me.

LEG. FISHER:

But it would be lengthy.

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MR. RAACKE:

The recommendation is that --

LEG. FISHER:

Gordian, you have to come to the mike.

LEG. TOWLE:

I'm more actually -- no offense to Gordon, I'm just more interested in reading the report.

LEG. FISHER:

Sure. We'll forward that to your offices.

LEG. TOWLE:

I will make a motion to table it for now.

LEG. FISHER:

You would like to, okay, table it one round.

LEG. BINDER:

I will second.

LEG. FISHER:

That's okay with me, and I'll give you the backup material.

CHAIRMAN COOPER:

We have a motion to table and a second. All those in favor of tabling? Opposed? Sense 50 is tabled (VOTE: 5-0-0-0).

Okay, that's it for the agenda. We can now move on to the presentations.

First of all, I would like to thank Matthew Crosson very much for taking time out of his very busy schedule to join us here today. With the recent ups and downs in the stock market and with press coverage last week of the projected \$70 million shortfall in the Suffolk County budget, this address could not be more timely. So thank you again, Matt, for accepting our invitation to address the committee.

MR. CROSSON:

Hello, Mr. Chairman, and thank you for inviting me, it's my pleasure to be here. As you say, this is a time of uncertainty for everyone with respect to the economy. What I intend to do is to try and give you an overview of what we know about Long Island's economy right now, and this is of course a snapshot in time as all economic reports are. I'll try to give you some idea of where we think the economy is headed, what the issues are, what the challenges are that Long Island faces.

First of all, I think a little bit of context. This has been a difficult couple of weeks, I think many people have a sense of insecurity that they haven't experienced for a number of years. Those of us on Long Island need to understand that Long Island's economy relatively speaking is strong compared to other areas in our region. Last year, in fact, Long Island had the strongest economy in the State of New York; we, in fact, gained jobs last year when virtually every

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other place in the State of New York lost jobs. I think the reason for that is that Long Island's economy is diversified. We have not finished the process of diversifying the economy of Long Island, we are in the midst of it. We all know what happened in the late 1980's and the early 1990's as a result of the down sizing of Grumman. Those were days in which Long Island did not have a diversified economy, it relied very heavily on aero.Space and hundreds of companies fed into Grumman, hundreds of companies formed what you might call an aerospace backbone to Long Island's economy. Our objective after that was to diversify the economy and to some extent we have succeeded but there is still a ways to go as I will discuss a little bit later.

In addition, I think Long Island has a unique reliance upon small business. Now, small business constitutes a majority of businesses in the United States. Long Island has a higher proportion of small business than any other place in the country, so we have a diversified small business economy. Those two things I think probably are the two elements that have allowed our economy to weather the storm over the last 18 months better than most places in our area. But our economy did begin to weaken in the mid point of last year and the weakness was led by technology. Technology on Long Island, as I will describe, is an important part of our economy but not the principle part of our economy. Technology on Long Island began to weaken and as the economy of the New York area took such a severe hit after September 11th of last year, the service sector of our economy also began to weaken.

On the other hand, throughout this recession nationally, it has been true that the recession is industry by industry and I think that is not fully understood by most people. There are sectors of the economy nationally and sectors of the economy regionally and locally that have never been in a recession and that are, in fact, growing and have

continued to grow throughout this period of time. There are other areas of the economy, other sectors of the economy that have, in fact, led the recession nationally and the downturn in our area.

As always, you have to look at the fundamentals, and I'm going to try to paint a picture for you of the economic fundamentals of Long Island both statistically and anecdotally; statistically first. These are the latest figures, these are the June figures that have been made available through various sources. On a year-to-year basis from June, 2001, to June, 2002, Long Island's economy grew -- Long Island's jobs, excuse me, job base grew by 3,800 jobs. Our job base, that is all civilians employed on Long Island, including people who live on Long Island but work off of Long Island, is 1,455,000. A job growth of 3,800 jobs year-to-year is really quite slow. Last year, the year 2001, the adjusted figure showed Long Island's job growth was 6,700 jobs which is the slowest since 1996. By way of comparison, in the year 2000, the regional economy created 27,900 jobs; in 1999, 41,800; 1998, 27,300. So you can see that there is a fairly sharp decline into 2001 and right now on a year-to-year basis our job creation is only at 3,800 jobs. Now, where are those loses and gains across the economy? It is, of course, a mixture of gains in some areas and losses in others.

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On a year-to-year basis manufacturing on Long Island has lost 5,000 jobs, wholesale trade has lost 2,300 jobs and the finance, insurance and real estate sector known as the fire sector has lost 800 jobs; so manufacturing down 5,000, wholesale trade 2,300, and the fire sector about 800. On the plus side, the service sector of Long Island's economy, which is by far the largest part of the economy here, has gained 6,100 jobs on a year-to-year basis, and within that 6,100 jobs the biggest gain was in health services. So health services on Long Island continues to grow and health services jobs for the most part are not necessarily the highest paying job. The average of health service jobs, the average payroll of health service jobs is about at the midpoint or slightly below the midpoint of jobs in this area. But health services is growing on Long Island and has for the last year. Government also has grown on a year-to-year basis. Government has grown 3,300 jobs, and within that, local education has grown 2,000 jobs, June to June, June, 2001 to June, 2002. Retail is up slightly, a couple of hundred jobs, construction is up about 500 jobs on the year-to-year basis. So you can see from those figures that this is a very mixed bag. There are some areas where we're losing jobs, some areas where we are gaining jobs.

Unemployment is another factor that people take into account when trying to gauge the strength of a region's economy. The fact is that Long Island is still close to what is defined as a full employment economy. A full employment economy is defined as 4% unemployment, where our unemployment rate right now on a job base, as I say, of 1,455,000 people is across the region 4.2% at the end of June; Nassau is at 4.1, Suffolk at 4.3. Again, relatively speaking, that's a good figure, we're about two-tenths of a point above the economist definition of a full employment economy. New York City's -- New York State's, excuse me, New York State's unemployment rate is 5.8, New York City's is 7.6 and the country as a whole is 6.0. So again, on a relative basis, Long Island is doing better when you look at unemployment than most other areas around us as well as the country as a whole.

Inflation, another factor you have to take into account. Inflation is not a factor in what's happening in Long Island's economy. The inflation rate right now is 1.7%. The closest -- that is the lowest we have been in 20 years with the exception of 1998 which ended with a total inflation figure of 1.6%, so inflation is not a factor in what's happening to us. Unemployment is not really a factor in what's happening to us either.

Real estate we divided into two parts, of course, residential real estate and commercial/industrial. In 2001, there were 5,647 permits issued for dwellings, for residences on Long Island, that was down 10.5% from the prior year. This year, since January through the end of June, there have been 2,713 issued on Long Island, that's an annualized rate of 5,400 or a further decrease from 2001. As we all know, of course, the prices, the resale prices of homes continues to increase and in some areas has increased in excess of 30% over the last year, in some areas it's 305 over the last two years. But home sale prices continue to increase and that, to some extent, continues to make people on Long Island feel more comfortable about the economy than other factors might otherwise.

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Commercial/industrial real estate, these figures are according to Insignia ESG, in the first quarter of this year the availability rate of commercial real estate was up just seven-tenths of a percent, that means that the amount of real estate that is available on the market increased only slightly, seven-tenths of one percent as an indicator of how much commercial real estate is coming on the market, both in terms of new real estate and real estate that has been let go. Generally speaking, commercial/industrial real estate is viewed on Long Island as being stable and resilient, yet there has been no appreciable gain as a result of corporate moves following the incident on September 11th, that simply has not happened here. It has happened in Northern New Jersey, it has happened in Westchester but it has not happened here. And whether it will happen here remains to be seen, most estimates are that it is unlikely to happen on Long Island.

Now, sales tax as a measure of retail and consumer confidence and also as a measure of the amount of money that you have to spend here in Suffolk County and in Nassau County. Measure June to June -- June, 2001, to June, 2002 -- sales taxes across Long Island are up six-tenths of 1%. Nassau County, however, was down 6.4% during that period of time and Suffolk was up 8.0%. We've got to remember, of course, that within that period, June to June, we had the period of time, the several months immediately following September 11th when retail sales pretty much all over the place declined drastically. So what is perhaps more significant is that for the first half of this year, 2002, after the 9/11 effect perhaps had worn off, the overall increase in sales taxes on Long Island is 6.8%. Suffolk appears to have gained, since January through the end of June, 12.8% or \$48.8 million on a year-to-year basis comparing month to month. Now, how that will -- what will happen throughout the remainder of the year of course remains to be seen, but those are the figures through the end of June.

Now, fundamentals do not -- are not limited to statistics, of course; statistics can't tell you the whole picture. You have to listen to people and that anecdotal evidence varies industry by industry. Once again,

this is what -- this is characteristic of what has been happening economically around the country and the region for the last two years, there was a lot of variety to it. The anecdotal evidence also varies industry by industry, but probably from the business people that I talk to, in groups and individually, the most common word is caution. I think most business people right now are very cautious, they are as uncertain as are we all about what the future holds in store. I think businesses on Long Island right now are slow to spend, slow to commit, slow to hire, except in certain very specific industries. Tourism appears to be having a good season and some industries report improvement in their business prior to the stock market decline of the last few weeks.

If I were to characterize what's happening on Long Island over all, I would say that right now we are in a holding pattern we are in status quo, we are neither gaining jobs at a significant rate nor losing jobs at a significant rate. I think most businesses do not yet know what the future holds in store so they are waiting to see. That, frankly, is better than most places in our area. To be in a holding pattern is

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relatively speaking a good thing; not good enough but still, relatively speaking, a good thing.

Now, the last several months, particularly in the last few weeks, we have begun to -- all of us have begun to feel the effect of what I'll call corporate scandals at Enron, WorldCom and other places, and I suspect that the last shoe has not yet to drop with respect to those scandals. If you watch the news on a day to day basis, you might conclude that all of these scandals are a problem just for billion dollar, multi-national corporations, and that is the farthest thing from the truth. The undermining of confidence affects all levels of business, including and perhaps most especially small business which in many instances depend upon consumer confidence, far more than large corporations do. So the effect of what certain individuals in these corporations have done and the publicity surrounding it has trickled down through the economy and to a large extent I think is going to help freeze the economy on Long Island for the remainder of the year until this situation is unraveled. It has trickled down to small businesses, it is continuing to trickle down to small businesses. Small businesses don't know what the future holds in store, small businesses, small business owners rely upon consumer confidence to a great extent.

We have a small business economy here, as I said earlier, and that economy depends upon people's willingness to spend money, but if they get themselves in a frame of mind as a result of what's going on in the stock market or as a result of uncertainty about whether any annual reports that they read and stocks that they invest in are true or false, they will be unwilling to spend money and that will affect small businesses throughout our whole area.

Now, it seems to me that the holding pattern that Long Island's economy is in right now and I believe any declines attributable to these corporate scandals that is to come in the future and stock market weakness can be traced to the lack of confidence of these -- engendered by these scandals. Congressman Gary Ackerman used a phrase a couple of weeks ago to describe what's going on and I think it's an accurate phrase, he called it unregulated greed. And I was a white

collar crime prosecutor for many years and I've seen the effect of greed in the business place. Greed is a part of human nature and people need to understand that regulation, both by government regulatory agencies and prosecutors, is what keeps it in check. And if you don't have that regulation and you don't have prosecutors with the resources to oversee the natural human impulse to greed, you get the kinds of results that we have seen at Enron and WorldCom and other places. What has to happen here and what I think small businesses on Long Island need to see in order to feel a little bit more confident about their own future, the public needs to see that the law will be applied and be applied strongly and severely in these cases. Everybody says that but it hasn't happened yet; we need to have that happen in order for our economy down to the small business level on Long Island to start getting back in place.

Now, we have a number of issues on long Island going forward. These are issues that require, it seems to me, the collaboration of the private sector and government. The first is what has come to be

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called, not surprisingly, our brain drain. Now, as I mentioned, Long Island's economy is slow right now but we are still at full employment statistically. We need to think about that for a moment. Surrounding us we have job losses in the tens of thousands, Long Island's economy is essentially flat and still we are at what economists would call a full employment economy. Only about a year ago, a year-and-a-half ago, we were near historic low unemployment on Long Island when our economy was going well. The reason is very simple, we have too few people in our work force.

During the 1990's, according to census data, the segment of our population between the ages of 20 and 44 declined by 6% on Long Island; in other words, we lost 6% of the people we had in the heart of the work force, 20 to 44 years of age. There are two principle reasons for that, one is demographic, change in birth rates and birth trends, the second is that people leave here and don't come back and everybody on Long Island knows that. We are today spending hundreds of thousands of dollars to educate thousands of children who now would then become the work force of other areas of our region and other areas of the county, that is a reality. At any point in time there are over 500,000 people going to school on Long Island, 400,000 or more in the K through 12 educational system, around a hundred thousand of them in colleges and universities. Those people, when they leave, frequently do not come back and it costs us hundreds of thousands of dollars to educate them and to train them and to get them ready for the work force of other places. It seems to me that government and the private sector have to do an awful lot more than we have been doing to keep these people here, to keep here the talent that we raise here, that we educate here and that we pay for here.

One of the principle reasons, and I think the number one economic problem that Long Island faces, one of the principle reasons that those people leave is lack of affordable housing. Lack of affordable housing is not a low income problem any more, it is a middle class problem. The political equation has changed and has to change a lot further. Long Island has the lowest proportion of rental property in the United States; our proportion of rental property is only 20%, this is a communities with 80% single family home ownership. A study that we will release in September will show that as many as 300,000 or more

housing units on Long Island are unaffordable according to federal guidelines, and that's housing units that the middle class of this community live in today.

Last February there was a Lewis Harris Survey released, it was commissioned by Newsday and News 12, about the issues, the most important issues that were on the minds of Long Islanders; number one was taxes, number two transportation. I have said that I think that if it were a nuclear holocaust and you pulled the survivors, the number one issue would be taxes and the number two issue would be transportation on Long Island. They are issues that are a part of the bedrock of this community, but for the first time, the first time that Long Islanders have been polled on these issues, the number three issue was affordable housing, 73% of the people of long Island in the Lewis Harris survey said that one of the major issues that they confronted in their lives was lack of affordable housing, that is a major issue in this community. And when 73% of the people say that

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affordable housing is one of the most important things that they worry about every day, it's time for the political process to take notice.

The system we have in place right now to deal for affordable housing, and by that I mean reliance on local government to decide where affordable housing can be placed and, in fact, whether there will be affordable housing and sufficient density to solve the problem in any given area has failed, it has simply failed. We have a drastic need for affordable housing on Long Island and the process that we have in place to deal with that need has not met the need, it has failed and it is time for all of us to come to grips with that fact.

The third issue that I think we have to deal with is the development of technology on Long Island. Long Island is predominantly a service-based economy, and in fact the major, major part of Long Island's economy has nothing to do whatsoever with technology, but for the last decade we have recognized that the future of Long Island depends to some extent, the economic future of Long Island depends to some extent upon our ability to make Long Island a viable leader nationally in technology. Long Island has in place right now respectable industries in information technology, bioscience and electronics, particularly advanced electronics; it's rare for one area to have all three industries in one place.

Sometimes we have a tendency on Long Island to pat ourselves on the back and say that we're doing well in technology. In fact, we're not doing that well in technology, we can do an awful lot better. Technology is important economically because it brings wealth into the area, it brings high paying jobs into the area, it brings talent to the area, that's why it's important despite the fact that it is a relatively small portion of our overall economy. We have a very long way to go to be or major technology area in this country. By way of example, the 32 communities that make up what's called Silicone Valley produce an economy that is 40% technology, 40% technology. On Long Island, where sometimes we tend to think of ourselves as Silicone Island or Tech Island, our economy is about 4% technology, that's 4%, and it has been declining during the course of the last year.

Now, I wonder how many people in this room have heard, and if I use the phrase "Tech Valley" how many people in the room know what I'm

talking about, and probably nobody does. Tech Valley is now the name given to the area between Dutchess County and Albany. Not very long ago, Tom Brokaw, the NBC Anchor, anchored a program on television in Albany about the future of Tech Valley. Seeing Mr. Brokaw anchor programs nationally about the future of Silicon Valley and the future of the area outside of Austin, Texas, he just did one on Tech Valley in Albany. Just last week the New York Times ran a story about the fact that a major international consortium of semi-conductor companies has decided to build a \$400 million consortium, semi-conductor plant in Albany; albania, competing with other places around the country and around the world, won that contract. Tech Valley, between Dutchess and Albany, now boasts 55,000 jobs in technology in over a thousand companies. How many does Long Island have? About the same. We have about the same number of jobs in technology, best count on Long Island; about the same number of companies, best count, and perhaps even these days most optimistic count on Long Island. Tech Valley has

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lower housing costs than Long Island has, and Tech Valley is not very far from New York city. It's within a two hour, two and a half hour train ride.

My point at raising this is that we don't have to go very far for our competition in our quest to be a major technology center. We have in the Hudson Valley now a technology center in New York State that already is equivalent to what Long Island is and that is before a major international semi-conductor consortium builds a \$400 million plant in that area. It wasn't very long ago, and it still may be today, that the majority of students at SUNY Albany come from Long Island. Where are they going to settle? Are they going to come back to Long Island to fill technology jobs in this community, or are they going to settle in Tech Valley? Those are the kinds of things that we have to take into account seriously when we talk realistically about what's involved in building technology in this area.

We need on Long Island real building for technology, and what I mean real building, I mean real bricks, real mortar, real equipment. The days of networking our way to a technology future are over. We cannot network our way to a technology future when we have such vibrant competition literally on our doorstep as that represented by Tech Valley. Networking will not do it, we need real, substantive growth, we need more research. That's why we have developed over the last three years a program called the Millennium Centers for Convergent Technologies. Convergent technologies is the term applied to where electronics and bioscience and information technology come together to make up new sciences and new products. We think that Long Island, because we have those three industries present here, can be one of the national leaders in convergent technologies, but to do that we need to have more research capability, more collaborative research capability. I'm not going to go into all the details of this project, but basically the Millennium Centers for Convergent Technology holds out the hope of doing that.

I think there's one other development that holds out substantive hope for the development of technology on Long Island, and that is the potential that's represented by OSI Pharmaceuticals. OSI Pharmaceuticals has kept a low profile for the last few years but, as you may know, it is a developing a number of drugs, two of which have now been placed on the fast track by the FDA that are cancer related

drugs, they are oral tablets that are taken I believe once a day by a cancer patient, including patients with pancreatic cancer which, as you may know, is one of the most lethal forms of cancer, has had a very success rate in inhibiting and even -- I wouldn't say curing, but inhibiting the progress of those disease. OSI Pharmaceuticals can be a major pharmaceutical company in this country, it is located in part on the eastern edge of Nassau County and in part in the Broad Hollow Science Park which is its research center in Suffolk County. That area can become a major bioscience center, not only for Long Island but for the United States, and of course, growth in the Setauket/Stony Brook area based upon all of the assets that we have there, Stony Brook and the High Technology Incubator to name just a few. Together, the Bio-Science Park in Melville and the Setauket/Stony Brook area could constitute real growth in technology going forward.

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So let me summarize and I'll take any questions that anybody has. Long Island is doing well relatively speaking, but relatively speaking it is really not good enough. We are at the mercy of outside elements like the corporate scandals that have driven insecurity down through our economic levels down to small businesses. We have weathered a lot during the last 18 months, we have the ability to weather a lot, but we have to remember that nothing goes on forever. We have a lot of work to do and we have issues that we have to face if we're going to move forward, especially affordable housing and staunching the brain drain. It seem to me that as always, the challenge on Long Island is work together which has been a problem historically for this community. I've been encouraged and I think many people have been encouraged, and refreshed I would say, by the efforts of County Executive Gaffney and County Executive Suozzi in Nassau County to work together, that is a very positive development. And the Long Island Association representing the business community of Long Island will be working with the two of them to ensure that there will be a true partnership of the public and private sectors here. And we look forward to working with this Legislature to those same ends.

This is the most more important thing that any of us could do and that is the simplest thing, working together. We're not always going to agree on things, we're going to have differences of opinion for a lot of different reasons. But I can tell you that in the areas of this country that are growing, and I don't mean growing by blacktopping the world and building buildings every place if there's, you know, a vacant square foot, I mean growing by bringing more wealth into the community and bringing more people into the community, that's the kind of growth Long Island can have and that's the kind of growth we can look forward to. But around the rest of the country, the areas that are growing in that direction, the areas that are growing that way have one important characteristic and that is they work extremely well together, extremely well together. They have a clear idea of where they want to go, they understand what they have to do to get there and they will work no obstacle to getting to that place. That's what we sometimes don't do well enough on Long Island and need to do better at.

So on behalf of the business community on Long Island, the Long Island Association, I want this committee to know and the Legislature of Suffolk County to know that we are very anxious to work together, this is a critical time in the growth of the economy of Long Island. Again I'll say it, nothing goes on forever, all good things to come to an

end. And if we want our good thing on Long Island to not come to an end, we have to work together.

I thank you, Mr. Chairman, for the opportunity to speak to the committee. I will be glad to take any questions that anybody might have.

CHAIRMAN COOPER:

Thank you very much. I had a couple of questions, Mr. Crosson. Number one, you had stated that according to your information sales tax revenues in Suffolk County were up by approximately 8%, June '01 to June '02. And I was wondering if you could reconcile this with apparently contradictory information that we got indirectly through

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Newsday regarding County Executive Gaffney's projections. The Newsday article talks of nearly flat sales tax revenue growth and concerns over sales tax revenues falling short of 4.6% growth that had been budgeted, and the County Executive's Office had predicted a \$38 million shortfall in the sales tax revenues which would have obviously dire potential implications for the County. Do you disagree with their figures or are we comparing apples and oranges?

MR. CROSSON:

I think we may be comparing apples and oranges. I don't know the basis for those figures and the shortfall may relate to the budget I suppose as to what is actually happening. The figures that I gave you were a year-to-year comparison, month to month for the first six months of last year versus the six months of this year, added up, averaged and, you know, a percentage derived. The figure I have was \$48.8 million and that is literally looking at the figures provided to me by our chief economist at the LIA. Now, what the relative figures are that the County Executive is using I don't know, and what the shortfall is and what he is taking into account on that shortfall I'm not sure, so I'm not really in position to comment on his projection.

CHAIRMAN COOPER:

I also agree with you that the issue of affordable housing is probably the single most important problem facing us here on Long Island at this time. And I was wondering what, if anything, you believe that we as County government could do to encourage the construction of more affordable housing on Long Island.

MR. CROSSON:

Well, you know, I think Suffolk County has done quite a bit in the last few years relative to most places. The legal scheme in New York, of course, gives the authority ultimately to local governments, the towns and in some instances the villages. You know, if you were going to solve this problem on a broader scale, you might want to give the County some control legally over the housing process and the permitting process and the zoning process. That I think is unlikely to have, especially in a state where that does not have initiative and referendum; there's a very little likelihood that you're going to get the political process to change itself in that regard. But I think that the County could continue to do what it has done and that is to try to -- the most important thing in building affordable housing is finding property on which affordable housing can be built economically so that a developer is attracted to build affordable housing and can make a reasonable profit. The County's program to designate that kind

of property, even buy that kind of property, is I think one of the most encouraging things that's happened in this whole realm in recent years. So I would, number one, encourage the County within its resources to not only continue to do that but try to expand that, if possible.

Beyond that, however, is the ultimate problem is a political one, and it's a local political problem. Local political leaders need to be persuaded that this is a problem that they need to solve with their own political interests. I don't argue that anybody in public life should do too many things against their own political interests because to make that argument would be a waste of time. You know,

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everybody has political interests at heart and that's understandable, but I think local political leaders at the town level need to understand that this is no longer a low income problem. This is not affordable housing in the way people tend to think of it in the past, this is housing that the middle class of this community can afford. There's a campaign for affordable rental housing that's been started, among other things it has developed a media campaign that has photographs of the kinds of people we're talking about here who need affordable housing, those are photographs of nurses and fire fighters and people like that, those are people who can't afford to live here. And most especially I'd point out that our younger people cannot afford to live here. You know, a young person coming out of school, whether it's high school or college, not married is pretty unlike to want to go out and buy a single family home on their own, they're going to want a rental apartment as most of us did when we came out of school, but there are simply not enough rental apartments on Long Island; whether they're legal or illegal they're not there and they leave because of that.

Personally, I think it's time -- and this is personal view and not yet represented of the broad-based business community -- I think it's time that the problem be addressed on a broader scale. I happen to think it's time for a State law that mandates that a certain proportion of all of the housing built within a political subdivision in a given year be affordable housing under Federal definition. Massachusetts has had a law like that since 1969, it requires 10% of the housing be affordable. Jersey has a court mandated rule in place. Other places, there are many other places around the country that have similar laws, they're difficult to accustomed to, they're very controversial when they're proposed, but in the end they get the job done. Not on a, you know, ten unit by ten unit basis because we need a lot more affordable housing than that on Long Island.

I would like to see this Legislature consider supporting an initiative along those lines because I think there is building support for it. That Lewis Harris Survey that I mentioned showed that 66% of the people on Long Island supported a State law like that. I think there is going to be a lot of movement toward that during the course of the next year and I think it is something that this Legislature should consider, even though it's not within your legal purview, it is something to which you can lend political support.

**CHAIRMAN COOPER:**

Matt, also the LIA has been at the forefront I believe in raising a number of issues that impact Long Island's economy, a couple of them

recently calling for equitable distribution of State funding for regional tourism promotion and also allocating a portion of MTA funding for Nassau and Suffolk public transportation. Do you see any process in the near future of movement on either of those issues?

MR. CROSSON:

Prospect is a strong word. I wouldn't give up hope that we can accomplish that. You know, the issue with respect to tourism is very simple, the State formula for dividing up tourism aid is based upon the number of Counties in an area, not based upon the number of tourists who go to the area. So Long Island has two countings, but we

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get millions of tourists so we get less money than we would otherwise; and frankly, we get less money than we deserve and we always have. That is an issue that I think we can make some progress on.

The MTA issue has a similar kind of issue. Long Islanders pay \$80 million out of their pockets in MTA taxes that go to the Metropolitan Transportation Authority, and we get services as a result. But right now our bus systems on Long Island do not get a single dollar from the MTA, so we're not getting any of that \$80 million back into the bus system. Some of it, of course, goes into the railroad, as it should properly, but none of it goes back into the bus system which makes it difficult to expand the bus system and to make the bus system more effective on Long Island, and even to maintain the bus system's ability to deal with rising costs without increasing fares. Now, that should not happen, we should be in a position on Long Island in which some of the taxes that we pay, some reasonable amount of the taxes we pay to the MTA come back to help us improve and sustain the level, fair levels of our bus system. Now, do I think that can happen? I think there's less likelihood of that happening.

But, you know, as these issues, I mean, this is like any other political issue, as time passes and pressure builds and public attention is paid to these issues the likelihood of success becomes higher. During the course of the year, the LIA intends to try to get the public much more interested in these issues than they have been in the past, try to get businesses much more interested in these issues than they have been in the past. If we all do that collectively then maybe we can get these things through Albany.

CHAIRMAN COOPER:

Thank you very much. Legislator Fisher?

LEG. FISHER:

Actually, Mr. Chairman, you had asked two of my questions. I wanted to go back, Mr. Crosson, to some of the statistical analysis that you have presented regarding increases in various sectors of the economy or decreases, and you made a comment regarding jobs in the technology sector and the impact of September 11th on those. Had those jobs -- had that sector begun to decrease in numbers when we saw the downturn in e-commerce sector generally?

MR. CROSSON:

Yes. The technology sector particularly e-commerce, information technology had already begun to flatten prior to September 11th, both on Long Island and throughout the metropolitan region and throughout the country. In fact, the information technology sector led what

became the national recession and ultimately had an effect here. I think that the events of September 11th tended to exacerbate that on Long Island as it did pretty much every place around the country, but the flattening in information technology would have occurred anyway, it had already started.

LEG. FISHER:

And what kind of real numbers did we finally realize in Suffolk County as far as jobs in that sector, decrease of jobs in that sector?

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MR. CROSSON:

Well, I'm not sure we know that yet. We -- the figures I gave did not include that. That sector is a little bit slippery in terms of figuring out exactly how many jobs are in it because of the way that the economists keep those figures and the manner in which industries are divided up. I think anecdotally it's fair to say that we have lost thousands of jobs in that area, and not tens of thousands but probably several thousand jobs. More importantly, we clearly have lost a substantial number of small companies that were unable to get the funding that they needed to sustain themselves. Those companies are gone now, whether they can come back when the economy picks up again remains to be seen, usually they cannot. Usually they have sold off their licensing rights and their talent, their employees have gone elsewhere and are employed elsewhere, so usually it's difficult for that to happen. That ultimately can be a difficult thing for Long Island to overcome. We were hoping for a few more years of economic stability so that those little technology companies could sink their roots more deeply into the ground, we didn't get it and we are going to have to live with the consequences of that.

LEG. FISHER:

And many of the people employed in that sector are the young IT people who would have difficulty with the housing costs, so we're back in affordable housing again, attracting young people.

MR. CROSSON:

That's exactly right, and also those people are mobile. You know, when information technology picks up again regionally and nationally, frequently they're in a better position to move to other parts of the country where information technology is doing well and get a job because their skills are transportable, they don't have to be here. So that is the kind of skill that we can easily lose and have difficulty replacing because it is difficult for other people to find a place to live on Long Island. It's very hard for companies to bring someone here from another part of the country, very difficult to do that. That's one of the reasons why our main hope is to keep here the talent that we educate here and raise here, but even to do that we have to have places where they can live.

LEG. FISHER:

I have another question regarding housing. I had supplied a grant to the School of Social Welfare at Stony Brook University and they had done a needs assessment and affordable housing was certainly at the top of the list with regards to that needs assessment. Much of the building that we're seeing in Suffolk County is for senior citizens. Not all of that housing is affordable, by the way, some of it is quite pricey. What kind of an impact are you seeing in that sector regarding senior citizen housing and the impact it's having on housing

overall? Do you see enough of affordable senior citizen housing going up and keeping senior citizens here and are senior citizens working longer because of inflation, because of the instability of the economy and the market?

MR. CROSSON:

Well, I think kind of a concise answer to that is yes there are more seniors who are working a little bit longer and after the events of

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the last couple of weeks and the effect that that's had on people's ability to retire, we may be seeing that a lot more in the next ten years, but they are working a little bit longer than they have in the past.

Clearly, one other thing that's happening is that more people of retirement age who might in the past have retired to Florida or the Carolinas or some other place in the country are making a choice to stay on Long Island and to spend their retirement on Long Island. That clearly is happening; I don't think there are any definitive figures about that but it clearly is happening. Now, two things happen as a result of that. If they stay in the house that they have lived in for many years, then the inventory of available houses does not increase which drives up the price of the houses that do become available, and part is undoubtedly responsible for the price of housing going up on Long Island. Secondly, if they decide to move to senior citizen housing or assisted living housing on long island, that increases the demand for that kind of housing which makes it economic for developers to build that kind of housing. Now, we have only a certain amount of available land on which to build on Long Island. If developers choose to build senior housing on that land in order to meet the demand there is for senior housing, then more broadly based affordable housing will not be built on that land, housing that is rental, housing that is open for -- that is affordable and open for the rest of the community including young people.

So one of the effects, one of the consequences -- certainly understandable why people would stay here, but one of the consequences of building a lot of senior affordable housing is that the opportunities to build affordable housing for the rest of the community will be taken away and make the problem much more difficult to solve. So those are the consequences, those are the -- as I see them anyway, the realities of what are happening. You can't tell people, you know, get out of here, go retire to Florida, they want to be here, they lived their lives here, they have every right to be here, but we need to take into account that one of the consequences of that will make it -- will be that it will be much more difficult over time to deal with our affordable housing problem and the home prices that exist for resale will continue to remain relatively high.

LEG. FISHER:

And I think that that speaks to your earlier statements regarding the attitude toward what affordable housing is, because on Long Island we have seen that there is de facto segregation based on economic factors and the political reality is that there are many people who don't accept affordable housing unless it's affordable housing for senior citizens, they feel safer accepting that. And so I think we have to do an educational push to have the public understand that affordable housing wouldn't be a deterioration of where they live and their

value.

MR. CROSSON:

Very true.

LEG. FISHER:

Value of their homes.

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MR. CROSSON:

Very, very, true. And one of the key elements of the problem -- the term affordable housing brings up in the minds of many people low income housing and tract housing in New York City; that is not, in fact, what it is and it hasn't been in this country for a long time. You can have affordable mixed housing and there are many examples of this throughout the country that is indistinguishable from housing that sells for several hundred thousand dollars that is nearby, that's the sort of housing we need to have here. But you're right, there is a psychological problem that needs to be overcome and part of that psychological problem candidly is that people when they think of affordable housing they think, well, that's housing for somebody else. They don't think of it as housing for themselves, they don't think of it as housing for their children and for their parents, and that's how they need to think of it. They need to think of it as housing for us, housing for our family.

I have spoken to many, many groups around Long Island on this subject and when you ask how many people have children, grown children who have settled someplace else in this country or, you know, who have a relative or a neighbor who have children who have settled someplace else, every hand in the room goes up, without exception, every hand in the room goes up. And when you get to the point of saying, you know, then everybody agrees yeah, we need affordable housing so our kids can stay here, so our families can stay together, and then you get to the point of saying, okay, suppose we build that affordable housing a quarter mile down the road from your house, then 40% of the hands in the room go up and those only tentatively. People need to get over that psychological hump, they need to understand that the affordable housing that we're talking about is for them, it's to keep their families together.

LEG. FISHER:

Thank you.

CHAIRMAN COOPER:

Matt, I just want to agree with the point you were just making. There definitely is a negative connotation with the term affordable housing; it's not quite as bad as low income housing but it's pretty close. And when I've spoken to constituents in my district about the affordable housing issue, when I've asked whether they would like to see an affordable housing development in the community there was very forward opposition to the concept, but when I talked about how about building starter homes for young families there was almost universal support. So I don't know what can be done, and maybe the media could help, to begin to use some new terminologies.

But also I wanted to say, I spoke to a certain prominent local politician to elicit his support -- solicit his support for building starter homes, worker homes, whatever you'd like to call it, and he

said that he was all for affordable housing but he felt that the way to go was to build senior housing. And his argument was -- and I don't necessarily agree with it but I wanted to get your view -- is that if you build a lot of additional senior housing, the seniors will

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move out of the single-family homes that you're in now, market forces will drive down the prices of those single-family homes and create affordable housing. I don't buy it.

MR. CROSSON:

I don't buy it either for two reasons. One, that it will drive down -- while theoretically that effect would happen, the prices are already at a level that even if they were driven down marginally, 10%, 15%, which you might expect from building senior affordable housing, they're still unaffordable for young families. And it doesn't deal with the problem of affordable rental housing which is perhaps the more urgent problem on Long Island. It doesn't deal -- that does not solve the problem of young people who are looking for a place to rent while they work and build up some income and get settled in the community and ultimately look to buy a single-family home, it's those people who are leaving Long Island. That scenario of building only senior housing on Long Island will you leave bereft of the people you need to maintain and to build the economy here, no question about it; you have to have younger people.

We need to refocus on the statistic that I used before, this is census data from the 2000 census. We lost 6% of our population between the ages of 20 and 44, 6% of that population gone, not coming back. We don't get people who move here in that age bracket and who could afford to settle here. If we continue to lose people in that age bracket we're going to have a disproportion in this economy, we are not going -- in this community I should say, and our economy will not be able to sustain itself. You cannot afford to lose the major part, the most vigorous of your work force year after year and expect that you're going to have a vibrant economy, we have to come to grips with that fact.

CHAIRMAN COOPER:

What is it that could be done that we're not already doing to try to encourage construction of either affordable rental housing or starter homes? Is it simply a matter of somehow getting the towns to rezone --

MR. CROSSON:

Sure it is.

CHAIRMAN COOPER:

-- or are there inducements that we can offer to developers to increase their profit in building?

MR. CROSSON:

No, the developers can make a very respectable profit building affordable housing and there are developers on Long Island who make a living doing that and have been doing that for many years. So building affordable housing is possible and it's done right here all the time. The reason is that there are State and Federal subsidies which, layered and applied correctly, can make the housing projects

affordable. The problem is that you have to have a sufficient density in a particular area acre by acre where you're going to build a project in order to make that happen. If you don't have a sufficient density -- in other words, sufficient number of units per acre -- then

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you can't build it affordably. That is a decision that is up to town and zoning authorities. That is the local political decision that has been prevented affordable housing from being built on Long Island over these years. There's local opposition from people in the area, there's local opposition from school districts. And in the end, local political authorities have bowed to that opposition and have not allowed zoning changes that would make affordable housing affordable, that is the problem. The question is going forward whether they ever will do that. Up to now they haven't, despite the fact that affordable housing is a desperate problem in this community. And I'm not sure that there's a prospect even now that there are going to be significant changes, that's why personally I've come to the conclusion that the only way to do it is to require it by law, State law.

CHAIRMAN COOPER:

Thank you. Any other questions? Mr. Crosson, thank you very much for coming to address the committee, accepting our invitation. It was most informative.

MR. CROSSON:

Thank you.

CHAIRMAN COOPER:

Our next presentation is by Gordian Raacke. Gordian?

MR. RAACKE:

Thank you for giving me the opportunity to present some more information to you on fuel usage emissions and power production on power plants on Long Island. I did -- during a brief verbal presentation on June 25th, I presented some initial data, some initial findings, but I wanted to present these findings here to you today in order to be better able to answer some of the questions that were raised by you and that could be raised by these findings.

To summarize the facts of this memorandum I prepared in six points, number one, there is a drastic increase in power plant emissions from 1995 to 2000. And I should say up front that just last week, as I was pretty much concluding the work on this memo, data for 2001 became available. I have not incorporated that data into the memo, that's something I will do at a later point, but the fundamental findings would not be changing; I looked at the data available now for 2001, the trend continues pretty much unchanged.

Number two, there's a gross disparity between emissions in Suffolk County and emissions in Nassau County. A majority of LIPA powers -- the majority of LIPA powers generated in Suffolk County, Nassau plants -- plants located in Nassau County used as fuel mostly natural gas while the plants located in Suffolk County used mostly fuel oil. The disparity between the two counties regarding emissions and power production is getting worse. And lastly, as far as available remedies, there are a number of remedies available to correct the situation.

As you can see from just looking at the chart on page two, power output on Long Island has increased between 1995 and 2000. You also see here in this draft a representation of the fuel mix, the light bar

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on top being the use of natural gas, the darker color at the bottom being the fuel oil. When you look at the output from our base load plants, the output increased only 18% -- or 18% between 1995 and 2000, that's an average of about 3.4% per year. However, emissions from those plants have increased much more dramatically; you will see those emission graphs on page three and four. As you can see there, carbon dioxide emissions between '95 and 2000 have increased 42%, nitrous oxide emissions have increased 64% and sulfur dioxide emissions have increased 91% between 1995 and 2000; those are dramatic increases. Keep in mind that, for example, the atmospheric concentrations of carbon dioxide in the atmosphere which we now know are responsible for global warming and climate changed have increased 30% since the beginning of the Industrial Revolution. Here we see increases in emissions of an unbelievable magnitude as far as I can tell in just six years.

CHAIRMAN COOPER:

Excuse me, Gordian. To what do you attribute those dramatic increases?

MR. RAACKE:

The main factors would be an increase in output of course and a switching -- a tendency to burn more fuel oil rather than natural gas. The picture looks worse when you now look at this bi-county. When you look at the emissions from plants in Suffolk County, numbers are much, much worse; the carbon dioxide emissions have increased 68%, nitrous oxide 89% and sulfur dioxide 92%. And when you look at it plant by plant, for example, the Northport plant, the SO<sub>2</sub> emissions for those six years have increased by 135%, so they -- that's the increase, so they have more than doubled, they went from about 10,000 tons to over \$25,000 tons during those six years.

As you can see on page six, you see the emissions from plants in Suffolk County tabulated there and the emissions from Nassau County. The SO<sub>2</sub> emissions in Suffolk County, this is in 2000, were over 32,000 tons, close to 33,000 tons, in Nassau County there were 506 tons and similar discrepancy in the nox and CO<sub>2</sub> columns. So in other words, despite enormous -- even 50/50 distribution of demand and consumption for electricity between the two counties. Base load plants in Suffolk County generated 83% of the CO<sub>2</sub>, 83% of the noxious, 98% of the sulfur dioxide emissions. The graph below on page six shows you the great disparity in emissions, in this case sulfur dioxide, but the picture isn't that much different for the other pollutants between Suffolk and Nassau. The little dark bar that's hardly visible to the right of those columns are the SO<sub>2</sub> emissions in Nassau County, from power plants located in Nassau County.

The other factors that -- as you can see on page seven and eight, the plants in Nassau are fueled mostly by natural gas. The white column indicating natural gas usage over those six years was in Suffolk County a good percentage of the output from the plants comes from using either a No. 6 or No. 2 oil.

Looking at those two graphs, you can tell three basic things. Number one, the plants in Suffolk produce about three times as much

electricity as those in Nassau County. Number two, most of the power in Nassau County, as I said, is generated from burning a cleaner

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burning natural gas while the power in Suffolk comes from more polluting fuel oil and the disparity between the two counties is growing worse on both towns; plants in Suffolk County keep generating more megawatt hours and in Nassau less, and Suffolk's growing use of oil versus natural gas. You can look at the footnote here, it gives you the numbers. In '95, Nassau County plants produce 34% of the electricity, but in 2000 they produced only 22% of our overall electricity output. And also in '95 the plants in Suffolk County used natural gas, this is under fuel mix now, 52% of the production was in 2000, that figure would have to decline to only a quarter, 25%.

LEG. FISHER:  
Mr. Chairman?

CHAIRMAN COOPER:  
Legislator Fisher.

LEG. FISHER:  
Gordian, how is it that we have a CO 2 cap law in place but we're seeing an increase in CO 2, although the law calls for a decrease as an overall emissions as power plants are built. Has the Health Department -- have these statistics that you have been available to the Health Department? I assume that they would have been.

MR. RAACKE:  
Well, they're -- yeah, they're available on the Internet. The CO 2 cap -- the CO 2 law didn't go into effect until I believe March of this year.

LEG. FISHER:  
Of this year, so --

MR. RAACKE:  
Or May, I can't remember. So it would only be effecting emissions in 2002 which is not included here yet.

LEG. FISHER:  
Okay, thank you.

MR. RAACKE:  
We'll have to keep an eye on that.

LEG. FISHER:  
Well, then clearly we do have to keep a very close eye on that if LIPA is running its energy production at this dirty level that we're seeing here in these statistics.

MR. RAACKE:  
Absolutely. There's also been another finding that I came across here which is that there's a really dramatic increase in plant operations of some of the peaker plants, some of the small plants that are not necessarily run year-round. I'm looking at some of the internal combustion units and the combustion turban units located in East Hampton, Southampton, in Holstville, in Southold. There's been some -- in some cases five-fold increase in output from these units

over the six year study period. The unit in Southold put out eleven

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times more in 2000 than it put out in 1995, and in some years the output was 50 times what it used to be in 1995. I believe in 1999 the output in Southold was 50 times more than what the unit ran in 1995. And it should be noted that these internal combustion units and combustion turbans are all run exclusively on diesel fuel, No. 2 fuel, and are among the least efficient and of course the most polluting generators that have here. However, in the big picture they constitute only between one and 5% of the total generation output, but that output has been growing as i said.

So what are possible solutions to this problem. The repowering of the Northport and the Port Jefferson plant would obviously go a long way and I'll get to that in a moment. Also, a requirement that plants that can switch between gas and fuel oil must switch to natural gas once a certain emission level has been reached, that would certainly go a long way to reduce sulfur dioxide and some of the other emissions. A commitment from LIPA to use the same percentage of natural gas in power plants in Suffolk as they do in Nassau would obviously reduce emissions. A commitment from LIPA not to increase annual electricity generation in only one County, in only one County, as you see in the generation that's been going up in Suffolk but decreasing in Nassau. Yet increase in usage of course happened in both counties, so they're pretty much on the same level. Seeking a more balanced distribution of generation resources between both counties when pursuing new power plant sightings. We have the bulk of the baseload plans located here in Suffolk, but that doesn't always have to be so. Limiting the annual operation of internal combustion units and small combustion turbans or replacing them with cleaner and more efficient gas-fired units. And lastly, increasing LIPA's efforts in energy efficiency and conservation and the deployment of renewable energy sources.

In addition to these remedies, these possible remedies, the County could seek measures designed to compensate Suffolk County for carrying the burdens of greater power reductions and the inhering emissions. Among these measures could be a revision of current taxes assessed on utility property, current taxes assessed on power plants, or taxes could be reduced on power plants with lower emissions and raised for those with higher emissions. That could be a variable, that could depend on the actual emissions, for example, making it more costly to burn more polluting fuel such as fuel oil and less costly to burn natural gas, for example.

Looking at the repowering scenario, I ran some figures, some what-if scenarios and said what if we repowered just the Northport plant; that would lead to a dramatic improvement. The repowering of the Northport facility along, leaving everything else the same and in conjunction with a commitment to use only natural gas at that Northport facility would reduce the overall Long Island emission levels dramatically; the SO<sub>2</sub> emissions could be reduced 77%, nox 62% and CO<sub>2</sub> 35%. If you take a look at the graph on page eleven, you see the alternative scenario added after the year 2000, with just Northport repowered emissions are dramatically reduced, it's the white bar here. And if you repowered both Northport and Port Jefferson and committed to burning only natural gas at those, the emissions in Suffolk County all of a sudden would drop below the emissions in Nassau County.

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So with that, I want to leave some time for questions if you have any. I attached some additional graphs and charts in this memo. I just wanted to give you a quick overview and I'm sure this issue will come up in future discussions.

LEG. FISHER:

Thank you, Gordian.

MR. RAACKE:

Thank you.

LEG. FISHER:

I guess they're listen somewhere else. Gordian, I think the obvious next question would be how much would it cost to do the repowerings and what kind of impact would that have on ratepayers?

MR. RAACKE:

I have not conducted a study regarding the cost. There are some that say that the cost of repowering can be somewhat higher than the cost of building new plants. However, a recent study that was highlighted in Newsday by Matt Cordaro, a former LILCO executive and now at CW Post, claimed that the cost of repowering existing Long Island plants would actually be lower than building new facilities. Of course, apart from the cost, the initial cost, there are great savings in repowering the plants because the plants are much more fuel efficient after they are repowered.

LEG. FISHER:

Sure.

MR. RAACKE:

So we would be saving money in the long run in terms of fuel costs.

LEG. FISHER:

Sure. Thank you, Gordian.

MR. RAACKE:

You're welcome.

LEG. GULDI:

Mr. Chairman, it's your pleasure.

CHAIRMAN COOPER:

There being no further business, I make a motion to adjourn.

LEG. FISHER:

Second.

CHAIRMAN COOPER:

All those in favor? Opposed? This meeting is adjourned. Thank you.

(\*The meeting was adjourned at 12:13 P.M.\*)

Legislator Jonathan Cooper, Chairman  
Economic Development & Energy Committee

