



NEW YORK STATE SENATOR

Hugh T. Farley

## Senator Farley Calls on Governor To Remove Utility Tax Surcharge Extension From Executive Budget

HUGH T. FARLEY February 5, 2013

| ISSUE: **UTILITIES**



State Senator Hugh T. Farley (R, C, I - Schenectary) and fellow Senate Republicans recently urge Governor Cuomo to remove the proposed extension of the utility tax surcharge from his Executive Budget. The 18-a surcharge, which has increased utility bills for every ratepayer in the state, is scheduled to expire on March 31, 2014. The Governor's proposed five-year extension would cost businesses and consumers a total of almost \$3 billion.

The proposed extension would cost energy ratepayers \$509 million for this year and the following four years, as well as \$255 million in state fiscal year (SFY) 2018-19. The total impact of the extension would be \$2.8 billion, with most of the burden falling on small and large businesses, particularly manufacturers that use large amounts of energy. Senate Republicans said the Governor should use the 21-day amendment process to remove the proposed extension from his budget plan. The actual impact on the SFY 2013-14 budget of ending the surcharge would be \$236 million, a small amount in the context of a \$136.5 billion budget.

According to figures from National Grid, the impact of the energy tax extension on a typical large business is estimated at \$30,000 per year. The added cost on a typical small business would be about \$540 per year and average household utility bills would increase by \$55 per year.

The energy tax surcharge was imposed in 2009 by Senate Democrats and Governor Paterson on electric, gas, steam and non-municipal water services. Every Senate Republican voted against it. The surcharge was intended to be a temporary measure that would expire on March 31, 2014. However, the 2013-14 Executive Budget proposes to extend the tax surcharge for another five years.

Section 18-a of the Public Service Law authorizes an assessment on utility bills to fund the operations of energy-related agencies and authorities such as the Department of Public Service and the New York State Energy Research and Development Authority. In 2009, Governor Paterson and Senate Democrats permanently increased the assessment from one-third of a percent to one percent, and added an additional one-percent surcharge, making for a total five-fold increase on all ratepayers. The additional revenue raised from the increase is deposited in the state's general fund. Under the 2009 law, the increase is scheduled to be reduced to one percent in SFY 2014-15.