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# Gov forming super watchdog

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ALBANY -- Gov. Cuomo will reveal plans tomorrow to replace the powerful Banking and Insurance departments, as well as the lesser-known Consumer Protection Board, with a less costly single agency, as he delivers a grim first State of the State Address, The Post has learned.

The Banking Department, which traces its history to 1782, has enormous regulatory power over all state-chartered banks and lending institutions. The Insurance Department, formed in 1860, plays a key role in regulating virtually all insurance companies that operate in New York.

Both employ thousands of state workers, and the unprecedented consolidation is expected to lead to a significant labor reduction. But sources said the consolidation would produce a more efficient agency with even stronger industry oversight.

Cuomo was said by a source familiar with the decision to have become convinced during his four years as attorney general that the two massive regulatory agencies were "outdated in an era when insurance companies often function as banks and engage in securities and other investment-type businesses."

Cuomo also plans to fold the far smaller consumer agency into the new department because many of its functions already are carried out by the Attorney General's Office and other state agencies.

Creating the powerful regulatory agency will need approval from the Legislature.

Cuomo will lay the foundation for the most sweeping set of budget cuts since the Great Depression in what some are calling a "pain and suffering" State of the State Address to New York's 212 lawmakers and more than a thousand private citizens.

In an effort to help generate a climate willing to accept severe budget cuts, Cuomo announced he was cutting his own pay, that of Lt. Gov. Robert Duffy and dozens of top staffers by 5 percent.

Cuomo's speech isn't expected to contain the worst of what's coming -- potentially more than 10,000 state layoffs, the dramatic downsizing of many agencies and the abolition of others, sources said.