

**NASEO State Energy Financing Task Force Call Notes
Friday, July 8, 2011; 12:30-1:30pm ET**

Attendees

TN	KY
NH	WI
NC	NY
AL	NE
NV	
AZ	EPC
MD	NASEO
NM	Bank of America

Welcome & Introductions

Diana Lin on the NASEO staff opened the call and reviewed the agenda on behalf of Jeff Pitkin, Treasurer of NYSERDA and Chair of the NASEO State Energy Financing Task Force.

Update on Interest Rate Buy-Down ARRA Expenditure

DOE has informed NASEO that the FAQ from the DOE GC Hotline that was issued on June 30, 2011 regarding interest rate buy-downs will be superseded by a new answer to come out on Monday, July 11 at the latest. The new FAQ will state that third-party operated interest rate buy-downs are considered expended when funds are transferred to the third party and committed to an ongoing program; specific underlying loans will not have to be made by the 2012 deadline.

[Reference this FAQ online.](#)

Opportunity with Bank of America Energy Efficiency Finance Program

Amy Brusiloff, Senior Vice President of CDFI Lending & Investing, Bank of America provided a presentation on an opportunity for states to partner with CDFIs through Bank of America's new Energy Efficiency Finance Programs. Amy is also a member of Bank of America's Global Environmental Group, which oversees the Bank's \$20 billion commitment to the environment. The new Energy Efficiency Finance Program combines both of these elements into one program.

Launched in May, the program targets sixteen markets (Atlanta; Baltimore; Boston; Charlotte; Chicago; Dallas; Houston; Los Angeles; Miami; New York City; Philadelphia; Phoenix; San Diego; San Francisco; Seattle; and Washington, D.C.). The objective of the program is to unlock frozen capital for energy efficiency and try innovative solutions. The program can apply to all sectors.

The \$55 million program will make \$50 million in loans to CDFIs to operate loan programs and also award an additional \$5 million in grants for technical assistance. Additionally, Bank of America has hired an organization to baseline and track the energy use of all participating buildings. Lastly, the Bank will share the results of this program on a national level through outreach and education.

Early reactions from CDFIs indicate that energy efficiency is an emerging market with lots of pockets of activity. Bank of America hopes to help CDFIs scale up their programs.

Mark Wolfe, executive director of Energy Programs Consortium, added that there are two possible ways for State Energy Offices (SEOs) to engage. First, some states are exploring directly partnering with

CDFIs in the target markets to apply. Second, it is also possible for states to look at the winning CDFIs after the awards are announced to see how existing programs can leverage each other.

In Maryland, the SEO is partnering with a CDFI in Baltimore. Dan Bresette from the MD SEO shared that their partnership arrangement takes advantage of both of their strengths. The CDFI has a lot of experience in lending, but not very much experience in energy efficiency. The SEO on the other hand is not primarily a lender, but can provide background and expertise on energy efficiency.

Finally, Diana Lin noted that this program may present an opportunity for SEOs to leverage private capital to sustain energy efficiency activity in their states after ARRA funding is expended. This funding is also more flexible, and the program may offer the chance to reinforce and expand good partnerships with CDFIs.

CDFIs, or community development financial institutions, provide alternative financing to those who may not qualify for traditional financing. CDFIs often make loans to small businesses, developers of affordable housing, and non-profits with the objective of promoting economic development in disadvantaged communities.

Applications are due on July 18, 2011. [Download the application online.](#) [Read more about this opportunity](#) at the Bank of America website.

State Roundtable Updates

At NASEO's recent Board Meeting, several states raised concerns about the difficulty for third-party operated revolving loan funds (RLFs) to disburse all the funds into individual loans by the April 2012 deadline per DOE's March 2011 financing guidance. The guidance states that while funds in a third-party RLF are considered expended when they are transferred to the third party, all funds still must be made in loans by the April 2012 deadline in order for the program to be in full compliance.

DOE has stated that August is a trigger date for them to seriously evaluate these programs' current and projected performance. As part of its assistance to states, NASEO would like to better understand the barriers to uptake that states are facing, any successful strategies you might have employed to increase uptake, and some possible alternatives that you are exploring to adjust programs. NASEO intends to systematically capture this as much as possible, and try to discover some solutions to share with all the states.

Kentucky

Kentucky's Green Bank RLF for state government buildings is not suffering from slow uptake. They have more applications in the pipeline than available capital. A key to this program's success is the long history of ongoing conversation with Kentucky's general services administration about energy efficiency in public buildings.

Nevada

Nevada's renewable energy RLF has successfully loaned out all its funds once already, and due to the success of the program, Nevada is seeking an amendment to add more funding into it. One key factor enabling the SEO to reach such high subscription was to work closely with state economic development agency, who took the lead in marketing the opportunity to businesses in the state or who were interested in relocating to the state.

New Hampshire

The Enterprise Energy Fund (EEF) is New Hampshire's 2nd largest market title under ARRA. Due to strict state contract regulations prohibiting advancing payment until work is completed, NH has been very nervous about getting the money out the door from the start, even though all funds were obligated since December 2009.

The EEF, a grant and loan program, targets businesses. Companies were interested but they wouldn't close on deals because they were holding out for better deals. In particular, many were waiting for the results of USDA's REAP grant program before they would move forward with a loan through EEF. To address this slow uptake in loans, NH went through few iterations and adjustments to the program.

First, NH tried 0% financing but that didn't make a significant difference. Then, NH altered the program to offer grant money along with loans. NH changed the interest rate from 0% to 2%, and offered grants of up to 25% up to \$125,000. The grant helps cover the soft costs associated with ARRA money – complying with Davis-Bacon, etc.—or in hiring engineering expertise to develop the retrofit project. This strategy does detract from the capital that will revolve, but NH had to balance that with the imperative of getting the money out the door.

Within a week of this restructuring, the fund was oversubscribed by double. NH expects to have all funds that expended and loaned by end of the year, and customers are targeting a December 2011 finish date. NH might have been able to get away with a lower grant rate, and if there had been more time, NH would have experimented with the grant percentages a bit more. However, the SEO didn't want to offer additional incentives and keep changing the program, which would increase marketing costs, slow things down, and establish an expectation that another deal might be coming down the line.

North Carolina

NC did not set up any loan funds with ARRA.

Alabama

Alabama SAVES RLF is investing half of its funds in a direct loan pool and half in loan loss reserves (LLR) and interest rate buy-downs (IRB). It took some time and effort to get the program off the ground, and the program has experienced slow uptake. This is the first time anything like this has been offered in the state. It is so different and new, and not many businesses want to be the first to try it.

Recently, things have started to move. The SEO made some changes to the program such as, lowering the loan size, expanded eligibility beyond industrial customers to include commercial and institutional, raised eligible financing from 90% to 100% of project cost, and has started to provide some of the upfront costs of the audit. Additionally, the SEO is looking at all technical requirements and procedures to streamline them and make them more user-friendly.

The tide has turned, but the SEO may still need to regroup soon. There is still a lot of need in state buildings, where some projects are ready to implement. Those may present opportunities for quick spending.

Maryland

In Maryland, the SEO invested ARRA funds into 2 RLFs. The first was dedicated to public buildings. Those were very large projects and so there was no problem in spending the money out. It helped that public buildings were very familiar with contracting and reporting requirements that came with government money.

The second fund, a commercial and industrial fund, didn't get much traction, so the SEO moves the funds somewhere else. The primary hurdle was the federal reporting requirements and regulatory barriers such as Davis-Bacon. None of the 10 borrowers MD was working with were willing to take that on.

Now, MD has invested some ARRA funds into LLRs and IRBs, mostly to support residential loans.

New York

In NY, a state-administered ARRA LLR leverages \$51m of RGGI funds. The financing program covers 3 sectors: residential, small businesses, and multi-family. So far, NY has seen only modest uptake in the financing portion of the program, despite low interest rates. The SEO, through the Green Jobs Green New York (GJGNY) program provided free and subsidized audits, which has led to about 35-40% increases in upgrades, but only about 1/3 of participants are using the GJGNY financing. NYSERDA is going to do some survey work to understand why homeowners aren't taking it and how they're financing it. Anecdotally, contractors are saying that homeowners are simply unwilling to take on more debt.

Nebraska

Nebraska put ARRA funds into their existing Dollar and Energy Savings Loans. The SEO lowered the interest rate to 2.5% and opened the door to projects above their existing \$750,000 cap. Generally, the SEO hasn't seen any slow down in demand. Nebraska uses a unique structure for their loan program. The SEO doesn't make any of the loans. Instead, financial institutions in the state take care of all the lending and the SEO just invests in those loans and buys a portion of them.

Next Call & Announcements

The next call will take place on Friday, August 5, 2011 from 12:30-1:30pm ET.

Other events:

- [NASEO Annual Meeting](#), September 11-14, 2011 in San Antonio, TX.