

JAN 25 2010

A BILL FOR AN ACT

RELATING TO CLEAN ENERGY BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the initial capital
2 investment required by property owners to install renewable
3 energy systems and energy efficiency improvements on residential
4 and commercial properties is a significant barrier to reaching
5 the State's clean energy targets. In order for the State to
6 reach energy efficiency and clean energy goals, increased
7 activity in residential and commercial projects is essential.
8 As such, employing innovative financing to remove known barriers
9 and stimulate enterprise in the clean energy sector is
10 beneficial to the public.

11 A Hawaii clean energy investment bond is a bond where the
12 proceeds are lent to commercial and residential property owners
13 to finance efficiency improvements and small renewable energy
14 systems; and owners then repay their loans over a prescribed
15 time period via an annual assessment on their property tax bill.
16 The liability to repay the bond is attached to the property,
17 rather than to the individual, as an assessment on real
18 property. Hawaii clean energy investment bonds can be issued by

1 states or local governments, and the proceeds can be typically
2 used to retrofit both commercial and residential properties.
3 Fifteen other states have already established clean energy bond
4 financing or loan programs and two other states have pending
5 legislation.

6 Assisting renewable energy projects and investments in
7 Hawaii can provide jobs, as well as long-term energy,
8 environmental, and economic benefits. Moreover, this Act is
9 compatible with the goals and objectives of the Hawaii clean
10 energy initiative. This Act will increase energy security,
11 encourage economic diversification, provide increased career
12 opportunities for Hawaii residents, and attract funding and
13 investment into the State.

14 The purpose of this Act is to establish a Hawaii clean
15 energy investment bond program in the State of Hawaii.

16 SECTION 2. Chapter 39, Hawaii Revised Statutes, is amended
17 by adding a new section to be appropriately designated and to
18 read as follows:

19 "§39- Hawaii clean energy investment bond program. (a)
20 Beginning July 1, 2011, and expiring December 31, 2030, a Hawaii
21 clean energy investment bond program shall be authorized by this
22 section.

1 (b) As used in this section:

2 "Renewable energy system" means a system that produces
3 thermal or electrical energy from renewable sources, including
4 units with an electrical back-up component, intended for use
5 within the residential or commercial property on which it is
6 located. The following systems qualify for inclusion in this
7 section:

8 (1) Solar hot water systems;

9 (2) Solar photovoltaic systems;

10 (3) Small wind systems;

11 (4) Biogas systems;

12 "Energy efficiency improvements" means installation and/or
13 physical modifications to property designed to reduce energy
14 consumption. For the purposes of this Act, energy efficiency
15 improvements do not include appliances such as, washing
16 machines, dryers, dishwashers and all similar appliances.

17 Energy efficiency improvements shall include, but not be limited
18 to the following list of measures:

19 (1) Air sealing and ventilation;

20 (2) Insulation;

21 (3) Space heating and cooling;

22 (4) Water heating;

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- 1 (5) Hardwired lighting;
- 2 (6) Daylighting;
- 3 (7) Windows;
- 4 (8) Doors and skylights;
- 5 (9) Reflective roofs;
- 6 (10) Energy efficiency improvements to pool equipment and
- 7 landscaping.

8 "Residential" properties are as defined by the county code
9 for the particular county in which the property is located.

10 "Commercial" properties are as defined by the county code
11 for the particular county in which the property is located.

12 (c) The State may issue bonds and may, either acting alone
13 or in partnership with a county or counties as authorized under
14 chapter 39 and section 46-8, incur indebtedness for or otherwise
15 finance renewable energy systems and energy efficiency
16 improvements undertaken by individual property owners within the
17 State.

18 The State shall establish a loan program or utilize an
19 existing loan program to lend the proceeds of the Hawaii clean
20 energy investment bonds. The principal and interest on the
21 subject bonds shall be a general obligation of the State and the
22 applicable portion of property tax payments from the affected

1 properties within the participating county or counties shall,
2 upon agreement between the State and any such county or
3 counties, be applied to service the debt on the bonds.

4 (d) The department of business, economic development, and
5 tourism shall contract with a third-party administrator to
6 manage and administer the Hawaii clean energy investment bond
7 program under this section.

8 The third-party program administrator's duties and
9 responsibilities shall be established by the department of
10 business, economic development, and tourism by rule or order,
11 and may include:

12 (1) Establishing criteria and procedures for the
13 qualification of technologies and systems, and
14 performing energy audits; including identifying the
15 energy efficiency improvements and renewable energy
16 systems that qualify for Hawaii clean energy
17 investment loan financing and developing appropriate
18 procedures for the qualification of these improvements
19 and systems;

20 (2) Calculating a property's current energy consumption
21 and energy costs when an application is submitted by
22 the property owner, and estimating the potential cost

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1 benefits that could be realized through energy
2 efficiency improvements or installation of renewable
3 energy systems on the subject property;
4 (3) Providing education and training on energy efficiency
5 improvements to applicants; including education and
6 training on the selection and use of improvements to
7 maximize energy efficiency;
8 (4) Prescribing loan repayment periods and providing
9 projected property tax assessment estimates when the
10 applicant opts to take advantage of the financing made
11 available under this section; including establishing
12 deadlines for loan repayments and providing applicant
13 property owners the projected property tax assessment
14 estimates that will be due and collected along with
15 the ad valorem property tax bill; provided that the
16 length of time allowed for the property owner to repay
17 the assessment shall not exceed the life expectancy of
18 the systems or improvements; provided further that in
19 instances where multiple systems and/or improvements
20 have been installed, the length of time shall not
21 exceed the average lifetime of all projects, weighted
22 by cost;

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- 1 (5) Assisting the counties with administrative duties
2 related to the execution of this program, including:
3 (A) Initiation and authorship of any and all written
4 agreements between participating property owners
5 and the counties and/or funding institutions.
6 (B) Public outreach and program promotion within the
7 counties, including community informational
8 briefings and making available information
9 relating to the program.
10 (C) Revision to existing county documents needed to
11 efficiently collect property tax payments from
12 participating property owners.
13 (6) Distributing state bond proceeds appropriated for this
14 program to participating property owners and/or
15 funding institutions; including responsibility for
16 ensuring loan repayment to the State from revenues
17 generated by participating county property tax
18 assessments under this section;
19 (7) Collecting, compiling, and reporting all data and
20 information relating to the Hawaii clean energy
21 investment bond program to the State, department of

1 business, economic development, and tourism and the
2 department of budget and finance;
3 provided that the criteria, qualifications, procedures, and
4 lifetimes of projects described in paragraphs (1) and (3) shall
5 be determined with approval from the department of business,
6 economic development, and tourism.

7 (e) For a county to access funding generated by the sale
8 of aforementioned bonds by the State, the county must
9 voluntarily agree to participate in the program by enacting an
10 ordinance or other legally binding action. County participation
11 shall constitute an agreement to institute and collect property
12 tax payments, through the ad valorem real property tax
13 collection schedule, in connection with the repayment of each
14 individual loan financed by bond proceeds.

15 (f) The provisions of this section shall take precedence
16 over any conflicting provisions contained in any other section
17 in this chapter.

18 (g) If any subsection, paragraph, clause, or provision of
19 this section, or its application to any person or transaction or
20 other circumstances, is for any reason held to be
21 unconstitutional or invalid, the invalidity or unenforceability
22 of said subsection, paragraph, clause, or provision shall not

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1 affect the validity or enforceability of any of the remaining
2 subsections, paragraphs, clauses, or provisions of this section,
3 and to this end this section shall be considered severable."

4 SECTION 3. The director of finance is authorized to issue
5 general obligation bonds in the sum of \$50,000,000 or so much
6 thereof as may be necessary, and the same sum or so much thereof
7 as may be necessary is appropriated for fiscal year 2010-2011
8 for the purposes of this Act.

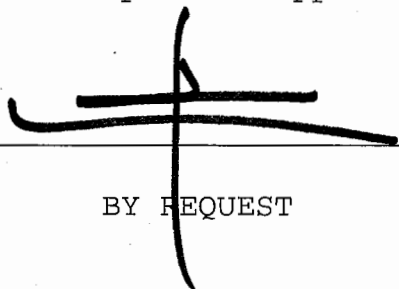
9 The sum appropriated shall be expended by the department of
10 business, economic development, and tourism for the purposes of
11 this Act.

12 SECTION 4. Free exercise of the Counties. This Act does
13 not in any way prohibit or limit the counties to institute a
14 Hawaii clean energy investment bond program or similar financing
15 program for and within their respective county, independent of
16 State partnership or involvement.

17 SECTION 5. This Act shall take effect upon its approval.

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INTRODUCED BY:


BY REQUEST

Report Title:

Hawaii Clean Energy Investment Bond Program; Establishment

Description:

Establishes a Hawaii Clean Energy Investment Bond Program for renewable energy system and energy efficiency improvements on residential and commercial properties, and authorizes the issuance of general obligation bonds to finance the program.

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO CLEAN ENERGY BONDS.

PURPOSE: To establish a Hawaii Clean Energy Investment Bond Program for renewable energy system and energy efficiency improvements on residential and commercial properties.

MEANS: Add a new section to chapter 39, Hawaii Revised Statutes.

JUSTIFICATION: The initial capital investment required by property owners to install renewable energy systems and energy efficiency improvements on residential and commercial properties is a significant barrier to reaching the State's clean energy targets. As such, employing innovative financing to remove known barriers and stimulate enterprise in the clean energy sector is beneficial to the public.

A Hawaii Clean Energy Investment bond, also known as a "HCEI" bond, is a bond where the proceeds are lent to commercial and residential property owners to finance small renewable energy systems and efficiency improvements; and owners then repay their loans over a prescribed time period via an annual assessment on their property tax bill. The liability to repay the bond is attached to the property, rather than to the individual, as an assessment on real property. HCEI bonds can be issued by states or local governments, and the proceeds can be typically used to retrofit both commercial and residential properties. Fifteen other states have already established clean energy bond financing or loan programs and two other states have pending legislation.

Assisting renewable energy projects and investments in Hawaii can provide jobs, as well as long-term energy, environmental, and economic benefits. Moreover, this measure is compatible with the goals and objectives of the Hawaii Clean Energy Initiative and is for the benefit of the public. This measure will increase energy security, provide economic diversification, provide increased career opportunities for Hawaii residents, and attract funding and investment into the State.

Impact on the public: Provides an additional financing option to residential and commercial property owners to install renewable energy systems and energy efficiency improvements on their property.

Impact on the department and other agencies: The Department of Business, Economic Development, and Tourism will be responsible for implementing and administering the HCEI Bond Program. The Department of Budget and Finance will be responsible for issuing general obligation bonds.

GENERAL FUND: None.

OTHER FUNDS: Authorizes the issuance of \$50,000,000 in general obligation bonds.

PPBS PROGRAM DESIGNATION: BED-21.

OTHER AFFECTED AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: Upon approval.