
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 SECTION 1. The legislature finds that promoting renewable
2 energy usage is fundamental to the State's long-term economic
3 viability by reducing dependency on imported fossil fuels.
4 While Hawaii exceeds other states for solar water heating, with
5 a penetration rate of nearly 25 per cent, we lag far behind
6 countries such as Israel that have nearly 90 per cent usage of
7 residential solar water heating systems. Moreover, Hawaii's
8 penetration rate for photovoltaic systems is estimated at less
9 than 15 per cent.

10 The legislature further finds that many residents cannot
11 afford the upfront costs of purchasing and installing solar
12 energy systems. State and federal tax credits help offset
13 expenses, but these credits are only available after an initial
14 outlay of funds.

15 The legislature additionally finds that the State
16 employees' retirement system (ERS) has a ready reserve of
17 available funds that could pay the upfront costs of installing
18 solar energy systems at every residence in Hawaii. However, the



1 legislature is also mindful of the need to protect the
2 retirement assets of current and future public employees.
3 Therefore, the legislature believes the most appropriate
4 approach is allowing a portion of ERS funds to serve as loan
5 guarantees for financial institutions that help residents pay
6 for solar energy systems. These guarantees would protect
7 financial institutions from risks associated with making loans,
8 while ensuring that ERS funds remain invested and meet their
9 fiduciary obligations.

10 The purpose of this Act is to create a pilot loan guarantee
11 program through the ERS, established under Chapter 88 of the
12 Hawaii Revised Statutes, to finance the purchase and
13 installation of solar energy systems at the primary single-
14 family and multi-family residences of Hawaii homeowners who
15 could not otherwise afford these costs.

16 SECTION 2. Chapter 88, Hawaii Revised Statutes, is amended
17 by adding a new section to be appropriately designated and to
18 read as follows:

19 "§ - Solar Loan Guarantee Pilot Program. (a) The
20 board of trustees of the employees' retirement system,
21 department of budget and finance, shall establish a program



1 known as the Solar Loan Guarantee Pilot Program, to remain in
2 effect for five years.

3 (b) Eligible participants in the program shall include
4 public employees who currently are not receiving a retirement
5 allowance through the employees' retirement system and who:

6 (1) Own a primary residence;

7 (2) Wish to purchase and install a solar energy system for
8 that residence; and

9 (3) Submit evidence of their intention to reside full-time
10 in the residence where the solar energy system will be
11 installed.

12 (c) Financial institutions participating in the program may
13 include federal and state chartered banks, credit unions,
14 savings and loan organizations, and financial entities licensed
15 to do business in the State of Hawaii that make home ownership
16 and/or home improvement loans in the normal course of their
17 financial transactions. A participating financial institution
18 shall exercise due diligence in reviewing the eligibility of the
19 solar energy loan applicant for financial assistance and in
20 doing so, shall determine if the risk level of the loan requires
21 the applicant to seek a loan guarantee through the employees'
22 retirement system. Repayment to the participating financial



1 institution shall be pursuant to its standard loan terms and
2 conditions.

3 (d) The board of trustees of the employees' retirement
4 system shall review the portfolio of solar energy loans made by
5 participating financial institutions pursuant to this program
6 and set aside an appropriate reserve to cover potential defaults
7 on such loans. The board may, through its rulemaking process
8 pursuant to chapter 91, Hawaii Revised Statutes, establish a
9 maximum exposure level for the program's loan guarantees.

10 (e) In the event the employee terminates employment with
11 the State or county prior to full repayment of the loan from the
12 participating financial institution, the employee shall continue
13 to make payments according to the established repayment
14 schedule. In the event the employee defaults on repayment, the
15 board shall place a lien against the residential property on
16 which the solar energy system was installed and may take any
17 appropriate legal action to recover its costs in full.

18 (f) As used in this section:

19 "Primary residence" includes single-family and multi-family
20 residences.

21 "Solar energy system" means a solar water heating or
22 photovoltaic energy system."



1 SECTION 3. The director of the department of budget and
 2 finance shall adopt rules pursuant to chapter 91 as are
 3 necessary to effectuate the purposes of this section and provide
 4 for the efficient administration thereof.

5 SECTION 4. The board shall submit a report to the
 6 legislature no later than the 20th day prior to the start of the
 7 legislative session three years subsequent to the effective date
 8 of this Act. The report shall include, but not be limited to,
 9 information on the number of public employees who qualified to
 10 participate in the pilot program, the number and names of
 11 financial institutions that participated in the pilot program,
 12 the number of loan guarantees made, the total monetary value of
 13 loan guarantees made, and the default rate, if any. The board
 14 shall submit a second report to the legislature upon completion
 15 of the five year period of the pilot program.

16 SECTION 5. New statutory material is underscored.

17 SECTION 6. This Act shall take effect on July 1, 2012 and
 18 shall be repealed on June 30, 2017.

19

INTRODUCED BY:

Gonther Thielen
Carene W. Q.

[Signature]

Barbara Maramoto

[Signature]



H.B. NO. 2764

Report Title:

Employees' Retirement System; Solar Loan Guarantee Pilot Program

Description:

Establishes the Solar Loan Guarantee Pilot Program which allows the employees' retirement system to guarantee loans made by financial institutions to qualifying public employees for the purchase and installation of solar water heating or photovoltaic systems on their primary residence in the State of Hawaii.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

