HB 1033, HD1

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
ON
HOUSE BILL NO. 1033, H.D. 1, PROPOSED S.D. 1

March 20, 2012

RELATING TO THE PUBLIC FINANCE

House Bill No. 1033, H.D. 1, Proposed S.D. 1, establishes the Clean Economy Bank of the State of Hawaii (the "Bank") to provide financing support and risk management for qualifying clean economy projects to aid in development of Hawaii's clean energy economy and to lessen the State's dependence on imported energy.

The Department of Budget and Finance opposes this bill. The Administration understands the importance of supporting development of a clean energy economy and the reduction of the State's dependence on imported energy. However, given the State's current financial condition, the bill would over-extend the State's financial resources in such a way that it could have a detrimental effect on the State's credit rating. The bill establishes a "Hawaii First Fund" (the "Fund") within the bank and requires the Department to deposit into the Fund moneys from the general fund in an amount that the Department determines is necessary to allow the Bank to fulfill its duties to the State. The Department opposes the use of general funds to finance initial cost of this entity and potential recurring costs of this endeavor. We believe that these purposes may be achieved through other programs that do not put state funds at risk. Furthermore, given the current financial condition, allocating funds for this measure would require reductions to other on-going programs with the State.

Funding development projects like those contemplated under this bill are inherently risky ventures. The State treasury manages public funds to insure safeguard of principal and limit risk. Utilizing public funds for private development ventures where risk levels are higher than average will require exceptional diligence, guidelines, protocols and governance parameters. Such concepts need to be more thoroughly considered and understood before committing taxpayer funds through a bank structure. The funding of a departmental or agency loan program may make more sense in this regard.

The bill also requires deposits in the Bank to be guaranteed by the State and provides for loans to be guaranteed by the State. Please note that the State's ability to issue general obligation bonds may be impacted as the amounts guaranteed for the Bank will count against the State's Debt Limit. Furthermore, Article VII, Section 13 of the State's Constitution requires the establishment and maintenance of a reasonable reserve based on the amount to be guaranteed. As the amount is currently unknown, the Department is unable to determine the impact on the State's Debt Limit and ability to issue general obligation bonds in the future.

Thank you for the opportunity to provide testimony on this measure.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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KEALI'I S. LOPEZ
DIRECTOR

TO THE SENATE COMMITTEE ON
ENERGY AND ENVIRONMENT

THE TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION OF 2012

Tuesday, March 20, 2012
2:50 p.m.

TESTIMONY ON H.B. 1033, Proposed S.D. 1
RELATING TO PUBLIC FINANCE

TO THE HONORABLE MIKE GABBARD, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions ("Commissioner"). I appreciate the opportunity to provide comments on behalf of the Department of Commerce and Consumer Affairs ("Department") on H.B. 1033, Proposed S.D. 1, relating to the proposed Clean Economy Bank of the State of Hawaii (the "Bank").

To briefly summarize, H.B. 1033, Proposed S.D. 1, creates a Bank for the following purposes: provide financing support and risk management for qualifying clean economy projects to aid in development of Hawaii's clean energy economy and to lessen the State's dependence on imported energy. A major initiative of the Bank is to fund clean economy projects.

The Department supports the idea of a clean economy as it is one of the components in Governor Abercrombie's New Day Initiatives. The establishment of a Bank seems to be based on Connecticut's newly constituted Clean Energy Finance and Investment Authority (CEFIA). This entity is not a bank, but an Investment authority, using existing staff from several state departments. The new entity will function like an investment fund that can leverage its capital to provide low-cost financing to clean projects that a commercial bank wouldn't likely touch. To this end, the investment authority will be funded by a surcharge on residential and commercial electricity bills, which was previously paid into the state's existing Clean Energy Fund, amounting to $30 million a year. CEFIA will also administer the $18 million Green Loan Guaranty Fund. The total $50 million investment by the investment authority will enable Connecticut to leverage limited state resources with much larger amounts of private capital — and in this way will catalyze a self-sustaining flow of low-cost capital for innovative clean energy deployment projects.

The Department offers the following comments on this Proposed S.D.1.

First, strong management teams play an integral part of any successful bank, particularly a de novo bank. The Department recommends that the experience and educational requirements for board members be more specifically delineated to ensure a strong management team. Although the bill provides for three board members who shall be current or former members of banks or credit unions incorporated in the State, and provides that the president of the bank have extensive experience in banking, the department recommends that the experience requirements for board members be strengthened to ensure that the bank will have a strong and knowledgeable management team in the area of de novo banking. Also, the Department notes that the reference in the bill to 26-34 Hawaii Revised Statutes on page 8 line 10 may be inconsistent with the language in section 1 of the bill that indicates that the bank will not be an instrumentality of the state.

Second, the bill requires that bank examination results be made public. The Department notes that applicable federal and state laws require that the results of certain examinations must be kept confidential. As such, the department suggests that the bill be revised to provide that examination results be made public unless nondisclosure is required by federal or state law. The bill also requires the Bank be examined on a quarterly basis. If DFI is required to examine the Bank every quarter (see page 25, line 8), it will need at least ten additional examiners to complete this examination on a timely basis. DFI currently has ten examiners to examine annually approximately 25 institutions. In addition, DFI uses three licensing examiners to review the quarterly reports from the financial institutions.

As noted above, the Department supports clean energy initiatives and is open to working with interested stakeholders. Thank you for the opportunity to provide these comments on House Bill No. 1033, Proposed S.D. 1. I will be available to respond to any questions.

OFFICE OF INFORMATION PRACTICES
STATE OF HAWAII
NO. 1 CAPITOL DISTRICT BUILDING
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TELEPHONE: 808-586-1400 FAX: 808-586-1412
EMAIL: oip@hawaii.gov

To: Senate Committee on Energy & Environment

From: Cheryl Kakazu Park, Director

Date: March 20, 2012, 2:50 p.m.
State Capitol, Conference Room 225

Re: Testimony on H.B. No. 1033, H.D. 1
Relating to Public Finance

Thank you for the opportunity to submit testimony on this bill. The Office of Information Practices ("OIP") takes no position on the purpose and substance of this bill, but recommends an amendment to the bill's proposed confidentiality provision for certain state bank records.

OIP administers and interprets the State's public records law, the Uniform Information Practices Act (Modified), chapter 92F, HRS (UIPA). The UIPA requires that all government records are available for public inspection and copying, but provides exceptions to this public disclosure mandate. One exception is for government records that are protected from disclosure "pursuant to state or federal law." HRS sec. 92F-13(4) (1993).

This bill proposes a new HRS subsection -18(a) that would create a new state law making certain bank records confidential, including "(2) Internal or interagency memoranda or letters that would not be available by law to a party other than in litigation with the bank." OIP finds this specific description of records to be confusing and difficult to interpret for purposes of determining whether such records would be exempt from public disclosure under the UIPA's exception for records protected pursuant to state law. The wording of this particular confidentiality provision is confusing because it is not clear which of these purposes it is actually intended to achieve: (1) simply make confidential any memoranda or letters that fall within an exception to disclosure under the UIPA, HRS chapter 92F, and, thus, are already not required by law to be made available; (2) make confidential only memoranda or letters for which an existing law specifically makes the records unavailable "to a party other than in litigation with the bank;" or (3) make memoranda and letters confidential to the same extent as similar private bank records. Therefore, OIP recommends that your Committee amend this bill by specifying in paragraph (2) which of these purposes, or any other, is to be effectuated with regards to protecting internal or interagency memoranda or letters.

Alternatively, OIP recommends that your Committee simply delete this paragraph (2) from the new confidentiality section -12 proposed in this bill. **Rather than create an ambiguity in the law, paragraph (2) can be deleted because it only proposes to protect internal and interagency records that "would not be available by law" and the UIPA already contains exceptions that may protect such records from disclosure.** For example, OIP has concluded in its advisory opinions that the UIPA's "frustration of a legitimate government function" exception, HRS sec. 92F-13(3), applies to internal and interagency memoranda when these records fall within the "deliberative process privilege." Another exception already recognized under the UIPA is for government records that are protected from disclosure when so ordered by a state or federal court. HRS sec. 92F-13(4). A third UIPA exception that could apply to internal and interagency memorandum is for government records pertaining to the prosecution or defense of any judicial or quasi-judicial action to which the state or any county is or may be a party, to the extent that such records would not be discoverable. HRS sec. 92F-13(2). Because of these existing exceptions in the UIPA, the proposed new confidentiality provision may be unduly confusing and unnecessary.

Thank you for considering OIP's testimony and suggested amendment.

SONOMA COUNTY WATER AGENCY

CF/0-0-26 FEDERAL LEGISLATION

March 19, 2012

The Honorable Mike Gabbard
Chair
Senate Committee on Energy and Environment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: IN SUPPORT OF HOUSE BILL 1033 RELATING TO THE CLEAN ECONOMY BANK

Dear Chair Gabbard, Vice-Chair English and members of the Committee:

I write to support House Bill 1033 and the creation of the nation's first clean economy bank.

Investors, business leaders and local government officials agree that in order to accelerate the deployment of new technologies, replicate successful financing models across the country and attract greater investment from the private sector, the United States needs a clean economy bank. Efforts at the federal level to create a national clean economy bank have not yet been successful, but the need for such a bank remains paramount.

The clean economy bank outlined in HB 1033 contains a signature innovation. It would allow other states and municipalities to "opt-in," effectively creating a first-of-its-kind, national clean economy bank for all the state and local governments that choose to participate. The aligned resources of the participating governments will spur investment and open new markets to the industries that will save energy, reduce carbon emissions and make the United States more competitive in the global economy.

We applaud Hawaii's leadership and look forward to working with you in the days and years ahead.

Sincerely,

Grant Davis
General Manager

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404 Aviation Boulevard - Santa Rosa, CA 95403-9019 • (707) 526-5370 - Fax (707) 544-6123 - www.sonomacountywater.org/

Testimony of Clyde T. Hayashi
Director
Hawaii LECET
1617 Palama Street
Honolulu, HI 96817

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
Tuesday, March 20, 2012
2:50 p.m., Conference Room 225

HB 1033, HD1 - RELATING TO PUBLIC FINANCE.

Aloha Chair Gabbard, Vice Chair English, and Members of the Committee:

My name is Clyde Hayashi and I am the director of Hawaii LECET (Laborers-Employers Cooperation and Education Trust). Hawaii LECET is a partnership between the Hawaii Laborers' Union, Local 368 and our union contractors.

I am submitting this testimony **in strong support** of the intent and purpose of HB 1033, HD1.

Hawaii LECET supports the goal of establishing a clean economy bank of the State of Hawaii, which will enable us to better build our Hawaii clean economy. This bank will increase access to capital for many organizations and encourage and increase clean energy projects. This will result in job creation, a reduction of carbon emissions and an increase in energy security.

The members of the Hawaii Laborers' Union, Local 368 and our union contractors are ready to participate in the expanding clean economic development opportunities, which this bill will support.

We all benefit from the resulting decrease in reliance on imported oil which will help Hawaii move towards energy independence.

Thank you for the opportunity to submit this testimony.

CLEAN
ECONOMY
DEVELOPMENT
CENTER

March 19, 2012

The Honorable Mike Gabbard, Chair
The Honorable J. Kalani English, Vice Chair
Senate Committee on Energy and Environment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

HEARING: Tuesday, March 20, 2012 in conference room 225

Re: **In Support of House Bill 1033**

Dear Chair Gabbard, Vice-Chair English and Members of the Committee,

The State of Hawaii must be extraordinarily proud for having produced some of the greatest leaders our country has in Washington. In recent years, President Obama, Senators Inouye and Akaka, and Congresswomen Hanabusa and Hirono have been powerful advocates for clean economy initiatives that drive investment, protect our environment and put Americans back to work.

Yet as we all know, even with Hawaii's great leadership in Washington, partisan gridlock has ground the federal government nearly to a halt. And on issues as crucial to our nation's vitality as energy and the economy, we simply cannot afford to wait for Washington politics to catch up with the pressing needs of business leaders and state and local governments.

In President Obama's recent State of the Union, he spoke to the pressing need for the United States to be a global leader in clean energy. It was one of the centerpieces of his speech. And in his very first commercial for re-election, the President cited the 2.7 million clean economy jobs his policies have created nationwide. Indeed, in nearly every respect, clean economic development is one of the central issues upon which President Obama has staked his presidency and his re-election.

But President Obama can't do it alone. He needs state partners to help him deploy existing technologies and scale-up the clean economy industries that will create jobs, secure America's energy independence and make us more competitive in the global economy.

In the absence of federal leadership, a handful of states have already launched state "green" banks. Connecticut is a notable example. House Bill 1033, the bill currently under consideration, is largely based on the Connecticut model, as well as language first developed at the federal level as part of Waxman-Markey, the American Clean Energy and Security Act. In 2009, Congresswoman Mazie Hirono and former Congressman, current Hawaii Governor Neil Abercrombie both voted in support of this legislation. The core provisions in House Bill 1033 have already received an aye vote from both Congresswoman Mazie Hirono and Governor Neil Abercrombie.

Over the past few months, White House officials and a core group of stakeholders have been working to accelerate the deployment of $2.6 billion dollars in unused ARRA funding that was allocated to states and municipalities in the form of Qualified Energy Conservation Bonds (QECBs). A memorandum prepared by Energy Programs Consortium, submitted for today's hearing as comments, describes QECBs in more detail, but they are crucial in this context for two specific reasons. First, QECBs enable states and municipalities to finance clean economy projects at extraordinarily low rates. Second, most of the remaining QECB allocations were allocated to municipalities in amounts too small for those municipalities to benefit from the low interest rate and economies of scale. A larger entity, such as a duly authorized clean economy bank with a nationwide focus, could help to aggregate these bonds within states, align them with each other, and leverage far greater private investment than either the State of Hawaii or the individual municipalities ever could have leveraged otherwise.

So why Hawaii? The State of Hawaii is the ideal state to establish a clean economy bank for at least five reasons:

1. Political leadership – Hawaii's forward thinking elected officials have already demonstrated several times their strong commitment to clean economic development and energy independence.
2. Business leadership – Over the past several years, Hawaii has emerged as a national leader in clean economy industries. Companies like Pacific Biodiesel (www.biodiesel.com), Sopogy (www.sopogy.com), and Oceanit (www.oceanit.com) are driving investment and leading America forward.
3. Partnerships – Hawaii has been a key strategic partner to Western states like Oregon, Washington, California and Colorado. The West is arguably the region of the United States with the greatest executive leadership on clean economy.
4. Energy Prices – Energy costs per capita in Hawaii are among the highest in the United States.
5. Serendipity – Hawaii's State Legislature is considering the establishment of a state bank at the same time that up to $2.6 billion is available to capitalize it.

I write today in support of House Bill 1033 because business leaders and local governments—in Hawaii and all across the country—urgently need a new partner, a clean economy bank; and they are not going to get it from Washington. In the absence of federal action, we need Hawaii, a state with strong leaders committed to clean energy and the environment, to step forward and establish a clean economy bank that will work alongside commercial banks to co-invest in businesses, technologies and clean economy

CLEAN
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projects that help us improve the way we use energy, water and waste.

The hearing today on House Bill 1033 is a crucial step toward the creation of an essential new partner for business leaders and local governments. I applaud your leadership and look forward to supporting your ongoing efforts in any way I can.

Sincerely,

Colin Bishopp
Senior Advisor

Clean Economy Development Center
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Hawaii Bankers
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Presentation to the Committee on Energy and Environment
Tuesday, March 20, 2012 at 2:50 p.m.
Testimony on HB 1033, SD1 Relating to Public Finance

In Opposition

TO: Honorable Mike Gabbard, Chair
Honorable J. Kalani English, Vice Chair
Members of the Committee

My name is Gary Y. Fujitani, Executive Director of the Hawaii Bankers Association (HBA), testifying on HB 1033, SD1. HBA is the trade association representing FDIC insured depository institutions operating branches in Hawaii.

HB 1033, SD1 establishes the clean economy bank of the State of Hawaii to, among other things: (1) enable the State to leverage aligned resources build a national clean economy; (2) support clean economic development within the State and other participating entities; and (3) lessen the burden on the State to finance qualified renewable energy and other related purposes.

Our opposition is not to the laudable intent of this bill; rather, we are opposed to the vehicle used, which is to establish a State Bank without first conducting a comprehensive feasibility study. Forming a state-owned bank is a complex and potentially costly process and **deserves thorough analysis to determine whether there are other alternatives to accomplish the intent.** Legislators must ask if the intent can be accomplished without risking the public's money and if it can be operated in a safe and sound manner.

We are not aware of any detailed business plan that addresses any of these issues or that speaks to the future success of such a bank. This should be especially important considering the state's fragile economic climate and the state's lack of prior experience in operating a for-profit business, especially a bank. **Without proper vetting and consideration, the state could be burdened with more costly bureaucracy, not to mention the cost to set up the initial banking infrastructure.**

Five Main Concerns:

1. No meaningful study has been conducted to clearly show the need for a state-owned bank to accomplish the bill's intent. As shown by other states, there are other alternatives to clean energy financing.

2. The state lacks the expertise to operate a bank and thereby puts public funds at risk. Would credit-making decisions be subject to political influence?

3. It could be years before the state bank becomes profitable and it is questionable as to how effective the state bank would be in achieving the intent of the bill.

4. Using public funds to capitalize the bank could harm the state's credit/bond rating.

5. Diverting public funds to the state bank reduces funding in other areas and there are existing programs in place that could address the state bank's goals without risking public funds.

6. Instead of wasting an unknown amount of public funds to start, operating and capitalize a bank, a more targeted use of funds to directly benefit clean energy financing should be considered.

Is there a need?

- No feasibility study has been done to determine if a state bank is needed and if it could successfully fulfill its mandate within the desired timeframe.

- A Task Force with representation by qualified industry experts is needed to properly evaluate not only the need, but the chance of success.

- Even Budget and Finance suggests there are other avenues to accomplish the intended goals without pursuing the complex, risky, expensive and time-consuming implementation process of forming a state bank.

Risks:

- Loss of legislative control over spending if public funds are diverted to the state bank where bureaucrats make the decisions.

- Potential unintended consequences: a) exposes public funds to risk; b) may harm state's credit/bond ratings; c) possibly overestimates demand for its products/services; d) does not have expertise to evaluate creditworthy borrowers.

- Public funds would be used to capitalize the state bank. The primary purpose of public funds is to fund operations of the state. Therefore, those funds must be liquid (available) to meet the state's obligations such payroll, pension benefits, and mortgage or rent on buildings. The funds currently deposited in local financial institutions are collateralized (secured) thereby ensuring the safety and future availability of those state funds. It is not clear whether or not the state intends to provide similar security and safety of the public funds.

- Budget and Finance testified that the state treasury is expected to ensure that whatever banks or financial institution holds public funds are solvent and insured.

- There is a difference between a "loan" and an "investment." When a bank makes a loan, the clear expectation is that the bank expects that the loan will be repaid. Banks employ highly trained professionals to evaluate the creditworthiness of borrowers' ability to repay. It should be understood that if the state bank is attempting to provide lending to borrowers who have not been able to secure financing through banks or other investors, the state bank is likely considering loans with higher risk potential.

Alternatives:

- The state does not need a bank to fund green energy projects. Instead the State should pursue further evaluation of other financing vehicles and programs that could more immediately and satisfactorily address the legislature's concerns. These available options could accomplish the goals without the need to risk public funds.

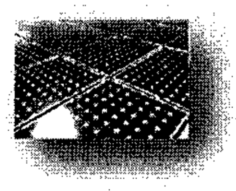
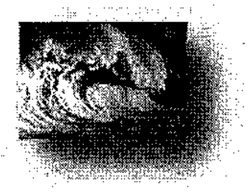
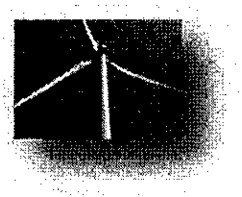
- As outlined in previous testimony by Division of Financial Institutions, "the establishment of a Bank seems to be based on Connecticut's newly constituted Clean Energy Finance and Investment Authority (CEFIA).This entity is not a bank, but an Investment authority, using existing staff from several state departments. The new entity will function like an investment fund that can leverage its capital to provide low-cost financing to clean projects that a commercial bank wouldn't likely touch. To this end, the investment authority will be funded by a surcharge on residential and commercial electricity bills, which was previously paid into the state's existing Clean Energy Fund, amounting to $30 million a year. CEFIA will also administer the $18 million Green Loan Guaranty Fund. The total $50 million investment by the investment authority will enable Connecticut to leverage limited state resources with much larger amounts of private capital—and in this way will catalyze a self-sustaining flow of low-cost capital for innovative clean energy deployment projects

- One testifier mentioned the Green Bank of Kentucky, which is a revolving loan fund for energy performance service contracts (ESPC) on state-owned facilities. **This is not a Bank.** This entity was created by an administrative order of the Finance and Administration Cabinet (FAC) in July 2009 and is funded by $14.17 million federal stimulus dollars through the American Recovery and Reinvestment Act (ARRA). Green Bank is administered by FAC through a partnership with the Energy and Environment Cabinet (EEC), Department for Energy Development and Independence (DEDI). Since its creation, Green Bank has financed nine projects for a total of $14.4 million. With the initial balance of funds loaned out, hereafter funds repaid into the Green Bank will be 'rolled over' to finance future energy-efficient improvements in other state buildings on an on-going basis.

Thank you for this opportunity to testify.

Gary Fujitani

blue planet FOUNDATION

HOUSE COMMITTEE ON ENERGY AND ENVIRONMENT
March 20, 2012, 2:50 P.M.
Room 225
(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 1033 HD1 PROPOSED SD1

Chair Gabbard and members of the Committee:

The Blue Planet Foundation supports the proposed Senate Draft of HB 1033, a measure which seeks to establish the "Clean Economy Bank of the State of Hawaii" to help Hawai'i develop jobs in the renewable energy and other "clean economy" sectors and provide affordable financing for renewable energy and energy efficiency.

Blue Planet believes that the establishment of a Hawai'i Clean Economy Bank would be worthwhile by helping to provide access to capital to financing clean energy statewide. Financing for renewable energy—from a small homeowner to a large, utility-scale project—can present formidable hurdles. Financing for energy efficiency investments and smaller renewable energy projects is often particularly difficult to secure. Affordable, accessible financing is essential to lower the participation hurdle for clean energy and to keep the project prices lower for ratepayers.

We encourage this Committee to forward this measure for further discussion and consideration.

Thank you for the opportunity to testify.

Jeff Mikulina, executive director • jeff@blueplanetfoundation.org
55 Merchant Street 17th Floor • Honolulu, Hawai'i 96813 • 808-954-6142 • blueplanetfoundation.org

IMUA ALLIANCE

46-063 Emepela Pl. #U101 Kaneohe, HI 96744 · (808) 679-7454 · Kris Coffield · Founder/Legislative Director

TESTIMONY ON HOUSE BILL 1033, HOUSE DRAFT 1, PROPOSED SENATE DRAFT 1, RELATING TO PUBLIC FINANCE

Senate Committee on Energy and Environment
Hon. Mike Gabbard, Chair
Hon. J. Kalani English, Vice Chair

Tuesday, March 20, 2012, 2:50 PM
State Capitol, Conference Room 225

Honorable Chair Gabbard and committee members:

I am Kris Coffield, representing the IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 150 local members. On behalf of our members, we offer this testimony in strong support of, with proposed amendments for HB 1033, HD 1, which establishes the Clean Economy Bank of the State of Hawaii to provide financial support and risk management for qualifying clean economy projects, thereby developing Hawaii's clean energy economy and lessening the state's dependence on imported energy.

Like its federal counterpart, the point of the Clean Economy Bank of the State of Hawaii, or "green bank," would be to provide more favorable terms–including lower interest rates and debt costs–to innovative clean energy companies seeking to offset the high cost of financing clean energy projects through the private sector. This type of financing system will incentivize clean energy initiatives, while hastening the production and availability of renewable energy products on a large scale by making such technology more competitive with regard to skyrocketing electricity prices. Moreover, a green bank will help control escalating consumer prices by facilitating collaborative partnerships with private business entities, providing capital investment and financial security that is crucial to the long-term success of Hawaii's clean-energy sector.

As noted in analysis conducted by the Center for American Progress, green banks account for and address the impact of the ongoing credit crunch on the clean energy industry, job losses resulting from a constriction of clean energy manufacturing and construction, the lack of scalable and standardized finance models for existing energy-efficient technologies, risk resulting from fluctuating fuel prices, and the need for predictable financing structures for green projects. At the federal level, the Coalition for a Green Bank estimates that $50 billion of initial capital could support $500 billion in loans over 20 years, which, when matched with equity investments, could spur $1 trillion in clean-energy investments. Imagine, then, what a mere portion of that amount could subsidize at the local level, particularly in a state seen as a national leader in clean-energy research, technology, and standards.

By taking a portfolio-based approach to green energy investment, a green bank would be able to promote a wide variety of projects and ideas, both nascent and established, in turn minimizing the risk of investing too heavily in any single technology. Additionally, the bank's structural independence would maximize flexibility in financing decisions and ensure that funds are competitively extended to projects that provide the fastest, cheapest, and cleanest reduction in greenhouse gas emissions and fossil fuel usage. As you well know, such projects have difficulty accessing adequate debt financing and credit enhancement in today's sluggish economy, particularly with the collapse of once vaunted green enterprises like Solyndra and the increasingly anti-competitive business practices of the Chinese renewable energy industry.

That said, we urge your committee to amend this bill by tasking the board of the Clean Economy Bank of the State of Hawaii, in conjunction with its advisory council of clean economy practitioners, with composing and distributing a comprehensive clean energy financing plan for the state. Language to facilitate this amendment could read as follows: On or before July 1, 2013, and every four years thereafter, the Board of the Clean Economy Bank of the State of Hawaii, in consultation with the Department of Land and Natural Resources and Office of Environmental Quality Control, shall prepare a Comprehensive Clean Energy Financing Plan. Such plan shall reflect the legislative findings and policy stated in HRS Section , as established by this act, and shall incorporate:

(1) an assessment of current energy supplies, demand, and costs;

(2) identification and evaluation of the factors likely to affect future energy supplies, demand, and costs;

(3) a statement of energy policies and long-range energy planning objectives and strategies appropriate to achieve, among other things, a sound economy, the least-cost mix of energy supply sources and measures that reduce demand for non-renewable energy, giving due regard to such factors as consumer price impacts, security and diversity of fuel supplies and clean energy generating methods, protection of public health and safety, environmental goals and standards, conservation of energy and energy resources, and the ability of the state to compete economically;

(4) a statement of progress made toward achieving the goals and milestones set in the Comprehensive Clean Energy Financing Plan;

(5) the benefits, costs, obstacles, and solutions related to the expansion, use, and availability of clean energy in Hawaii; and

Kris Coffield **(808) 679-7454** **imuaalliance@gmail.com**

(6) recommendations for administrative and legislative actions to increase access to loans and other financing mechanisms for expansion of clean energy in Hawaii.

On July 1, 2011, Gov. Daniel Malloy signed legislation making Connecticut the first state in the nation to create a green bank, inaugurating a comprehensive reorganization of his state's energy infrastructure. A similar model, the Green Bank of Kentucky revolving loan fund, established in 2009, finances the up-front costs of energy efficiency projects, recuperating repayment through savings from reduced energy usage. In an inspiring story, the fund's first loan of $1.3 million for an energy efficiency project run by the Kentucky Department of Education is expected to save the state $140,000 annually in utility costs, as well as operating and maintenance fees, for a total savings of $2.15 million over the life of the project. At a time when gas prices are projected to hit $5 per gallon in the near future, it is advantageous for Hawaii to follow suit. Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Legislative Director
IMUAlliance

Kris Coffield **(808) 679-7454** **imuaalliance@gmail.com**

QuickTime™ and a
decompressor
are needed to see this picture.

March 19, 2012

The Honorable Mike Gabbard, Chair
The Honorable J. Kalani English, Vice Chair
Senate Committee on Energy and Environment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

HEARING: Tuesday, March 20, 2012 at 2:50 pm in conference room 225

Re: In support of House Bill 1033

Dear Chair Gabbard, Vice-Chair English and members of the Committee:

I am writing to express my support for House Bill 1033 and encourage its passage. I appreciate the opportunity to represent the Coalition for Green Capital and express our support in person.

Respectfully submitted,

Sophia Wolman
Chief of Staff, Coalition for Green Capital

SECTION 1. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

"CHAPTER

CLEAN ECONOMY BANK OF THE STATE OF HAWAII

§ -1 Clean economy bank of the State of Hawaii established. (a) The clean economy bank of the State of Hawaii is established as an independent entity that shall not be a department, institution, agency, or instrumentality of the State. Neither the bank nor any of its functions, powers, or duties shall be transferred to or consolidated with any other department, agency, or corporation.

(b) The purposes of the clean economy bank of the State of Hawaii shall be to:

(1) Enable the State, along with other participating states, territories, and municipalities, to leverage aligned resources and collective influence to build a national clean economy that creates jobs, reduces carbon emissions, and ensures the United States' energy security;

(2) Support clean economic development within the State and within participating states, territories, and municipalities, by increasing access to capital for

local governments, businesses, and nonprofit entities in partnership with local financial institutions;

(3) Lessen the burden on the State and other participating states, territories, and municipalities of financing qualified renewable energy, renewable energy transmission, energy efficiency, distributed generation, and oil-saving projects and technologies; zero- or low-carbon transportation; clean energy manufacturing; municipal water efficiency; municipal waste efficiency; job training for energy efficiency projects; and for other related purposes;

(4) Evaluate and coordinate financing for qualifying clean economy projects;

(5) Provide loans, loan guarantees, debt securitization, insurance, portfolio insurance, and other forms of financing support or risk management to qualified clean economy projects;

(6) Facilitate efficient tax equity markets for qualified clean economy projects;

(7) Facilitate the financing of long-term clean energy purchasing by governmental and non-governmental nonprofit entities;

(8) Develop and foster the consistent application of transparent underwriting standards, standard

contractual terms, and measurement and verification protocols for qualifying clean economy projects;

(9) Compile performance data that enables effective underwriting, risk management, and pro-forma modeling of financial performance of qualifying clean economy projects to support primary financing markets and stimulate development of secondary investment markets for clean economy projects;

(10) Foster within the State the level of financing support for qualifying clean economy projects necessary to advance vital national and state objectives, including:

(A) Achieving energy independence from foreign energy sources;

(B) Abating climate change by increasing zero- or low-carbon electricity generation and transportation capabilities;

(C) Realizing the energy efficiency potential in existing infrastructure;

(D) Easing the economic effects of transitioning from a carbon based economy to a clean energy economy;

(E) Creating jobs through the construction and operation of qualifying clean economy projects;

(F) Upholding fair labor standards;

(G) Fostering long-term domestic manufacturing capacity in the clean economy industries; and

(H) Complementing and supplementing other clean economy legislation at the federal or state level; and

(11) Use profits beyond those necessary to accomplish the purposes of the bank under this subsection and for the continued sound operation of the bank to create credit ~~enhancement~~financing support mechanisms **for clean economy projects** such as **loans,** loan ~~loss reserves~~guarantees, ~~revolving loan funds~~, ~~interest rate buydowns~~debt securitization, ~~or other similar mechanisms~~**insurance, portfolio insurance and other forms of financing support or risk management** that decrease the cost of capital for certain qualifying clean economy projects, which shall include affordable housing retrofits and modifications in accordance with the purposes of this chapter.

§ **-2 Definitions.** For purposes of this chapter:

"Bank" means the clean economy bank of the State of Hawaii.

"Board" means the board of the clean economy bank of the State of Hawaii established under section -4.

"Clean economy" means any enterprise or industry that participates in the generation, storage, or distribution of renewable energy, including direct renewable energy generation using waste-to-energy technologies, farm-to-fuel technologies, biodiesel, or heat capture; increases energy efficiency or resource productivity; reduces carbon emissions or waste; uses water or waste more efficiently; manufactures component parts of renewable energy or energy efficiency technologies; employs energy efficiency measures; engages in building science and construction projects to increase energy efficiency or otherwise reduce carbon emissions or waste; or develops or deploys electric and hybrid energy transportation.

"Clean economy project" means any undertaking of electricity generation, storage, or transmission; heating or cooling process; industrial process; reduction of oil use in transportation or manufacturing; municipal water or waste project; or related technical assessment or energy audit that:

(1) Reduces the need for additional energy supplies by using, transmitting, distributing, or transporting existing energy supplies with greater effectiveness through the infrastructure of the United States;

(2) Diversifies the sources of the energy supply of the United States to strengthen energy security and to increase supplies with a favorable balance of environmental effects; or

(3) Contributes to the stabilization of atmospheric greenhouse gas concentrations through reduction, avoidance, or sequestration of energy-related emissions of greenhouse gases.

"Community development financial institution" has the same meaning as a community development financial institution under the Riegle Community Development and Regulatory Improvement Act of 1994, title 12 United States Code section 4702.

"Council" means the advisory council of clean economy practitioners established by section -5.

"Customer" means any person or entity that has transacted or is transacting business with, has used or is using the services of the bank, or for which the bank has acted or is acting as a fiduciary with respect to trust property.

"Participating state, territory, or municipality" means a state, territory, or municipality of the United States that contributes to the capitalization of one or more of the bank's funds and satisfies other requirements as determined by the board.

"Qualifying clean economy project" means a clean economy project that meets the criteria of this chapter for financing support or risk management from the bank.

§ -3 **Qualifying clean economy projects.** To qualify for financing support or risk management from the bank, a clean economy project shall:

(1) Employ commercially viable technologies;

(2) Be capable of being carried out in a commercially viable manner within the State or a participating state, territory, or municipality within **five** years of the commencement of operation of the bank;

(3) Remain current on interest and debt payment obligations; and

(4) Satisfy any other conditions established by the bank.

§ -4 **Board of the bank; powers and duties.** (a) The board of the clean economy bank of the State of Hawaii shall operate, manage, and control the bank. The board shall locate and maintain places of business of the bank and shall adopt and enforce rules, orders, and bylaws for the transaction of the bank's business. The powers of the board and the functions of the bank shall be implemented through actions taken and policies and rules adopted by the board.

(b) The board shall consist of seven directors who shall be appointed and serve their terms pursuant to section 26-34. The members of the board shall include representatives of the financial, business, labor union, and nonprofit sectors. At least three members shall be current or former officers of banks or credit unions incorporated in the State. **At least one member shall be a current or former officer of a national nonprofit organization with expertise in state-based clean energy finance initiatives.**

(c) The board shall adopt rules requiring the holding of regular meetings and specifying the means for providing notice of the meetings; provided that a special meeting of the board may be called at any time upon notice by the governor or by a majority of the members of the board.

(d) The presence of a majority of the board shall constitute a quorum to transact business and exercise all rights, duties, and powers of the board.

(e) The board shall appoint a president of the bank; provided that the person appointed shall have extensive experience in banking **and clean energy finance**. The board may appoint and employ any subordinate officers, employees, and agents as the board considers necessary, and shall define the duties, designate the titles, and fix the compensation of those persons. The board may designate the president or other officers or employees as its agent with respect to the functions of the bank, subject to the supervision, limitation, and control of the board.

(f) The board may remove and discharge any person appointed in the exercise of its powers granted under this chapter.

(g) The board shall elect a chairperson, vice-chairperson, and secretary from among its members.

(h) The board shall participate on loan committees, pursuant to rules adopted by the board under section -6.

(i) The board may establish subsidiaries of the bank, and may serve as the board of those subsidiaries or appoint other individuals with appropriate experience to serve as the board for those subsidiaries, as appropriate.

§ **-5 Advisory council of clean economy practitioners; appointment and duties.** (a) To identify potential clean economy projects and technologies that may be deemed as qualifying clean economy projects that are eligible for investment by the bank, the board shall appoint an advisory council of clean economy practitioners that shall consist of eight members. Appointments to the council shall not be subject to section 26-34.

(b) The members of the council shall include representatives of the business, energy, environmental, and scientific sectors.

(c) The board shall appoint a chairperson, vice-chairperson, and secretary of the council from among the council members. The term of office, including renewability and maximum length of service; provisions for replacement of members of the council due to expiration of term, removal, or suspension; grounds for removal or suspension of a council member; and constitution of quorum for the conduct of business by the council shall be determined by the board by rule; provided that the term of office of a council member shall not exceed four years.

(d) The council shall:

(1) Meet quarterly with the management officers of the bank to review the bank's current list of qualifying clean economy projects and make recommendations regarding existing qualifying clean economy projects and potential qualifying clean economy projects; and

(2) Meet annually with the board to present any recommendations concerning the bank.

§ -6 **Development of rules and standards.** (a) Before making any loan, loan guarantee, debt securitization instrument, insurance, portfolio insurance, or any other form of financing support or risk management, the bank shall develop standards to govern the administration of the bank through policies and procedures adopted by rule pursuant to section -12 that specify:

(1) Requirements to facilitate opt-in participation by states, territories, and municipalities;

(2) Eligibility of borrowers including participating states, territories, and municipalities; businesses and farms located within the State or participating states, territories, and municipalities; and the types of projects eligible for financing support or risk management;

(3) Requirements concerning the technical and economic viability and revenue self-sufficiency of eligible projects;

(4) Required collateral or other security;

(5) Terms and conditions of financing support and risk management;

(6) Criteria to establish financial feasibility and to measure the amount of state assistance necessary for particular projects; and

(7) Other relevant criteria, standards, or procedures.

(b) Before making any loan, loan guarantee, debt securitization instrument, insurance, portfolio insurance, or any other form of financing support or risk management, the bank shall develop standards to govern the conduct of business of the bank through policies and procedures adopted by rule pursuant to section -12 that:

(1) Ensure the safety and soundness of the bank that, to the extent possible, reflect applicable standards for safety and soundness set forth in title 12 Code of Federal Regulations part 364;

(2) Specify the bank's powers and permissible investments and activities;

(3) Authorize specific services that the bank may provide;

(4) Specify limits for loans and other obligations the bank makes or undertakes;

(5) Specify reserve requirements; and

(6) Specify other requirements that the board considers necessary.

(c) Standards and rules adopted pursuant to this section shall be approved by majority vote of the board.

§ -7 **Hawaii first fund.** The bank shall establish the Hawaii first fund, separate from other funds of the bank, that shall be reserved to support qualified clean economy projects and businesses and farms located in the State and Hawaii-based businesses that seek financing for clean economy projects elsewhere in the United States.

§ -8 **Funding sources.** (a) The bank may accept deposits of public funds. All income earned by the bank for its own account on public funds shall be credited to and become a part of the revenues and income of the bank; provided that a public official who has control of the public funds deposited in the bank shall be exempt from liability for any loss of the funds as provided in section -15.

(b) The bank shall pay interest on deposits of public funds at a rate comparable to rates paid by private depositories of public funds. As determined by the board, the bank may offer other financial products to the department of budget and finance.

(c) The department of budget and finance shall deposit into the Hawaii first fund moneys from the general fund in an amount that the department of budget and finance determines is necessary to allow the bank to fulfill its duties to the State under this chapter. **Any of these funds deposited within the Hawaii first fund shall be repaid, with appropriate interest as in paragraph (b), under terms determined by the board, but all funds must be repaid within ten years of the last funds being received.**

(d) The bank may receive and deposit charitable gifts, grants, contributions, and loans from individuals, corporations, and philanthropic foundations.

(e) The bank may raise capital through issuing its own bonds or notes, including tax-exempt bond offerings and small denomination clean economy bonds available for purchase by consumers on a retail basis. The bank may borrow from commercial lenders.

(f) In consultation with existing community development financial institutions, local community development organizations, and appropriate community stakeholders, the bank may seek to qualify **one or more of its subsidiaries** as a community development financial institution and be eligible for funding from the community development financial institution fund administered by the United States Department of Treasury. Upon qualification and designation **of one or more of the bank's subsidiaries** as a community development financial institution, ~~the bank~~**such subsidiaries** shall, subject to applicable federal law, be eligible to receive discount loans from banks seeking to meet their community reinvestment act obligations and shall be treated as a qualified community development entity for purposes of section 45D and section 1400N(m) of the Internal Revenue Code and applicable regulations.

(g) Once the bank is capitalized and begins its clean economy financing support activities, the bank may provide loans to leverage and otherwise catalyze equity investments in clean economy projects. The bank may receive funds for its financing support, including through a return of and interest on its direct loans and partnerships with other investors, to cover administrative expenses and credit risk.

(h) In the event that a market for carbon emission credits emerges, the bank may participate as a credit supplier using credits earned from its clean economy financing projects, consistent with any federal or state rules or laws governing offsets, renewable energy credits, or other tradeable instruments.

(i) The legislature may appropriate additional funds from any appropriate source to provide financing support for qualifying clean economy projects.

(j) Notwithstanding any other provision of this Chapter, the bank may receive funds from Federal or other state sources that require those funds to be held separate and apart from the other resources of the bank, and may impose different terms on the use or on any return from those funds than required of the general funds of the bank.

(k) Subject to approval of the board that such distributions will not impair the capital adequacy of the bank, the bank may distribute a percentage of its profits, if any, to the Hawaii general fund. This distribution shall not exceed 7% of the bank's profits as determined on a cumulative basis, and if required the calculation of the bank's profits may exclude certain funds, loans, or allotments as required by State or Federal law.

§ -9 **Powers of the bank.** The bank may:

(1) Make, purchase, guarantee, or hold loans:

(A) To agencies or instrumentalities of the State of Hawaii;

(B) To agencies or instrumentalities of the counties in the State of Hawaii;

(C) To participating states, territories, and municipalities;

(D) To state-chartered or federally chartered lending agencies or institutions or other financial institutions;

(E) That are insured or guaranteed in whole or in part by the United States, its agencies, or instrumentalities; or

(F) Obtained as security pledged for or originated in the restructuring of any other loan properly originated or participated in by the bank;

(2) Purchase participation interests in loans made or held by banks, bank holding companies, state-chartered or federally chartered lending agencies or institutions, or any other financial institution or entity that provides financial services and meets underwriting standards established by rule by the board and that are generally accepted by state or federal financial regulatory agencies;

(3) Invest its funds in conformity with policies of the board and the department of budget and finance;

(4) Buy and sell federal funds;

(5) Lease, assign, sell, exchange, transfer, convey, grant, pledge, or mortgage all real and personal property, title to which has been acquired in any manner;

(6) Perform all acts and do all things necessary, convenient, advisable, or desirable to carry out the powers expressly granted or necessarily implied in this chapter through or by means of its president, officers, agents, or employees or by contracts with any person, firm, or corporation;

(7) Purchase, guarantee, or hold loans originated by financial institutions doing business in the State and in participating states, territories, and municipalities;

(8) Make loans in the form of participation loans to qualified persons residing in or doing business in the State where the originator of the loan is a private financial institution;

(9) Act as a custodian bank for financial institutions organized under the laws of the State and accept

deposits from the financial institutions in connection with this function;

(10) Issue bank stock loans to financial institutions organized under the laws of the State; ~~and~~

(11) For financial institutions that make the bank a reserve depository, perform the functions and render the services of a clearinghouse, including all facilities for providing domestic and foreign exchange, and rediscount paper on terms prescribed by the board of the bank~~.~~;

(12) Establish subsidiaries of the bank; and

(13) Accept deposits of funds from Federal and state sources as specifically permitted under this Act or by regulation, but shall not accept deposits from private individuals or entities.

§ -10 **Lending; financing; expenditures.** (a) The bank shall establish a program to provide on a competitive basis **financing support in the form of** loans, loan guarantees, debt securitization, insurance, portfolio insurance, and other forms of financing support or risk management, as the bank determines appropriate, for any qualifying clean economy project.

(b) In ~~making loans or~~ providing financing support, the bank's priorities shall be for qualifying clean economy projects:

(1) In Hawaii that are entered into by agencies and instrumentalities of the State of Hawaii;

(2) In Hawaii that are entered into by agencies and instrumentalities of the counties in the State of Hawaii;

(3) In Hawaii that are entered into by federal agencies and instrumentalities;

(4) In Hawaii that are entered into by Hawaii-based, non-governmental, nonprofit entities;

(5) In Hawaii that are entered into by Hawaii-based, non-governmental, for-profit entities;

(6) Outside of Hawaii that are entered into by Hawaii-based, non-governmental, nonprofit entities;

(7) Outside of Hawaii that are entered into by Hawaii-based, non-governmental, for-profit entities;

(8) Outside of Hawaii that are entered into by non-Hawaii-based, non-governmental, nonprofit entities; and

(9) Outside of Hawaii that are entered into by non-Hawaii-based, non-governmental, for-profit entities.

The bank may exempt certain funds and loans from these priorities where required by law, or as a condition of receiving certain funds, provided that the funding and the purpose for which the bank receives it would still advance the mission of the bank.

(c) The bank shall only provide financing support ~~and risk management~~ pursuant to subsection (a) if:

(1) The **financing** support ~~or risk management~~ is commercially reasonable and does not exceed eighty per cent of the capitalization of the qualifying clean energy project**, or one hundred per cent of the capitalization of the portion of the qualifying clean energy project that is focused on improving the energy efficiency of the project**; and

(2) The **financing** support ~~or risk management~~ is secured by the underlying project or other collateral that the bank determines ~~appropriate~~**commercially reasonable**.

(d) The bank may facilitate financing transactions in tax equity markets and long-term purchasing of clean economy projects by governmental entities and non-governmental nonprofit entities to the degree and extent that the bank determines the financing activity is appropriate and consistent with carrying out the terms of this section.

(e) The bank is authorized to create, accept, execute, and otherwise administer in all respects trusts, receiverships, conservatorships, liquidating or other agencies, or other fiduciary and representative undertakings and activities, as appropriate for financing purposes. Instruments issued by the bank pursuant to this section shall be exempt securities within the meaning of laws administered by the Securities and Exchange Commission to the same extent as securities that are direct obligations of or obligations guaranteed as to principal or interest by the United States.

(f) The bank shall assess reasonable fees on its activities including loans, loan guarantees, insurance, portfolio insurance, and other forms of financing support or risk management it provides so as to cover its reasonable costs and expenses as determined by the board; provided that the bank operates as a nonprofit entity. To the extent a loan or loan guarantee is issued using funding from the United States Treasury, interest payments shall be sufficient to pay any applicable credit subsidy costs to the United States under the Federal Credit Reform Act of 1990, title 2 United States Code sections 661 et seq. The credit subsidy cost fee shall be paid by the borrower and shall be treated as a permitted project cost.

(g) The president of the bank:

(1) Shall require any entity receiving financing support or risk management including a loan, loan guarantee, debt securitization, insurance, portfolio insurance, and other forms of financing support pursuant to this section to report quarterly, in a format specified by the president, on the entity's use of the financing

support and progress in fulfilling the objectives for which such support was granted; provided that the president of the bank shall make reports submitted pursuant to this paragraph available to the public;

(2) May establish additional reporting and information requirements for any recipient of financing support made available pursuant to this section; **and may waive or reduce reporting requirements for any recipient or class of recipients receiving no more than $50,000 in any given year;**

(3) Shall establish appropriate mechanisms to ensure appropriate use and compliance with all terms of any financing support made available pursuant to this section;

(4) May, in addition to and consistent with any other authority under applicable law, deobligate financing support made available pursuant to this section to entities that demonstrate an insufficient level of performance or wasteful or fraudulent spending as determined by the president in advance of the award of financing support and may award deobligated funds competitively to new or existing applicants consistent with this chapter;

(5) Shall create and maintain a fully searchable database, accessible on the Internet or successor information protocol at no cost to the public that contains, at minimum:

(A) A list of each entity that has applied for a loan, loan guarantee, insurance, portfolio insurance, or other form of financing support or risk management under this section along with a brief description and status of each application;

(B) The name of each entity receiving funds made available pursuant to this section, the purpose for which each entity is receiving funds, and each quarterly report submitted by the entity pursuant to paragraph (1); and

(C) Any other information that the president determines is sufficient to allow the public to understand and monitor loans, loan guarantees, insurance, portfolio insurance, and other forms of financing support or risk management provided under this section.

(h) To the extent practicable, data maintained pursuant to subsection (g) shall be used to inform private capital markets, including for the development of underwriting standards for the financing of clean energy projects and energy efficiency projects.

(i) The bank shall make all financing **support** transactions available for public inspection, including the accommodation of formal annual reviews by a private auditor and the state auditor**, except that the bank may withhold transactions or portions of transactions that are confidential, contain confidential business information, or other sensitive information protected from disclosure under Section 17**.

(j) The bank shall at all times maintain a mechanism for the receipt, in writing, of public comment on the activities of the bank.

§ **-11 Income; excess earnings.** Except as otherwise provided, as soon as possible after the end of each calendar year, the board shall determine the amount of income that is in excess of amounts necessary to pay for expenses of administering the activities of the bank, if any, earned by the bank in that calendar year. The amount of the excess shall be used to create credit enhancement mechanisms such as loan loss reserves, revolving loan funds, interest rate buydowns, or other similar mechanisms to decrease cost of capital for certain types of qualifying clean economy projects, as determined by the board; provided that the qualifying clean economy projects shall include affordable housing retrofits and modifications in accordance with the purposes of this chapter.

§ -12 **Rulemaking.** (a) The board shall develop a process for approving standards and for adopting rules that is not subject to chapter 91 but includes public notice and an opportunity for interested stakeholders to submit comments on proposed standards.

(b) The department of commerce and consumer affairs shall examine the bank no less frequently than once each calendar quarter to verify that the bank is complying with rules adopted pursuant to subsection (a). The department of commerce and consumer affairs shall report the results of the examination to the board and to the legislature. The report shall be a public record subject to disclosure pursuant to chapter 92.

(c) The state auditor shall audit the accounts and financial affairs of the bank no less frequently than once every two years. The auditor's report shall be a public record subject to disclosure pursuant to chapter 92F.

§ -13 **Deposits; guaranteed by State; exempt from taxation.** (a) All deposits in the bank shall be guaranteed by the State.

(b) The deposits and any income earned by the bank shall not be subject to state or local taxes of any kind.

(c) The bank shall not accept deposits from private individuals or entities and deposits shall not be insured by the Federal Deposit Insurance Corporation or any similar Federal or State Agency.

§ -14 **Civil actions.** (a) Civil actions may be brought as provided in this section against the State for claims for relief asserted to have arisen out of transactions connected with the operation of the bank.

(b) In an action brought pursuant to this section, the State shall be designated as the State of Hawaii, doing business as the clean economy bank of the State of Hawaii.

(c) An action brought pursuant to this section may be brought in any circuit court of the State in the same manner and subject to the same laws and rules of the courts as other civil actions.

§ -15 **Public officials; exemption from liability.** Whenever any public funds are deposited in the bank, the public official who deposited the funds and the sureties on any bond of the public official shall be exempt from liability by reason of loss of any of the funds while the funds are deposited in the bank.

§ -16 **Conduct of business; execution of instruments.** (a) All business of the bank shall be conducted under the name of the clean economy bank of the State of Hawaii or the clean economy bank. Title to property pertaining to the operation of the bank shall be obtained and conveyed in the name of the State of Hawaii, doing business as the clean economy bank of the State of Hawaii.

(b) Instruments shall be executed in the name of the State of Hawaii. Within the scope of authority granted by the board, the president of the bank may execute instruments on behalf of the bank, including any instrument granting, conveying, or otherwise affecting any interest in or lien upon real or personal property.

(c) Other officers or employees of, and legal counsel to, the bank may execute instruments on behalf of the bank when authorized by the board.

§ **-17 Certain records confidential.** The following records of the bank shall be confidential and shall not be disclosed:

(1) Commercial or financial information of a customer of the bank, whether obtained directly or indirectly, other than information disclosed in routine credit inquiries concerning information that is required to be disclosed in accordance with due legal process and information required to be disclosed pursuant to section -10(g);

(2) Internal or interagency memoranda or letters that would not be available by law to a party other than in litigation with the bank; and

(3) Except as provided in section -12, information that is contained in or related to a report of an examination or operating or condition reports prepared by, on behalf of, or for the use of, a state or federal agency responsible for the regulation or supervision of any bank activity."

§ -18 Severability. If any portion of this Chapter is or becomes invalid or unenforceable in this or any jurisdiction, that shall not affect:

(a) the validity or enforceability in that jurisdiction of the remainder of the Chapter; or

(b) The validity or enforceability of that portion or the remainder of the Chapter in any other jurisdiction.

SECTION 2. This Act shall take effect on July 1, 2012.

Report Title:
Public Finance; Clean Economy Bank

Description:
Establishes the clean economy bank of the State of Hawaii to, among other things: (1) Enable the State, along with other participating states, territories, and municipalities, to leverage aligned resources and collective influence to build a national clean economy that creates jobs, reduces carbon emissions, and ensures the nation's energy security; (2) Support clean economic development within the State and other participating entities; and (3) Lessen the burden on the State and other participating entities to finance qualified renewable energy and other related purposes. (SD1)

Energy Programs Consortium Memorandum

To: State Energy Officials

From: Elizabeth Bellis, Counsel, EPC
ebellis@energyprograms.org
917-370-7916

Date: 2/6/2012

Re: QECBs[1]

IRS Circular 230 Disclosure: This information is intended for state and territory officials only and was not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. Federal tax law.

In its role as a technical assistance provider for states and local governments interested in energy program finance, Energy Programs Consortium ("EPC") has asked me to direct a project to provide technical assistance to state and local governments on QECBs and related financing programs. In this capacity, the National Association of State Energy Officials (NASEO) requested I prepare this memo for state energy officials interested in qualified energy conservation bonds ("QECBs").[2] If you have reviewed prior versions of this memo, you may wish to skip to page 5 for new information about barriers to issuance and a summary of the changes in the data since the prior memorandum dated November 29, 2011.

As many of you are now aware, in 2009, Congress increased to $3.2 billion the funding for states, large local governments and tribal governments to issue qualified energy conservation bonds to finance renewable energy and energy efficiency projects. The total allocation was divided amongst the state, local and tribal issuers according to population, as shown in Table 1A attached to this memorandum.

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[1] For more information, you can also contact Rebekah King, Research Associate, at rking@energyprograms.org or 202-333-5915. Ms. King contributed substantially to the preparation of this update, including research, data compilation and analysis, and drafting.

[2] QECBs are similar to Build America Bonds ("BABs") in that the interest on QECBs is taxable but the federal government offers a direct cash subsidy to the bond issuer to subsidize the interest costs. The subsidy on QECBs is twice as large as the BAB subsidy, making QECBs an extremely low-cost financing option for many issuers.

At least 99 projects totaling over $610 million have been funded with QECBs in 23 states to date.[3] Some states, like Kansas and Kentucky, have exhausted or nearly exhausted their allocations, while others still have millions of dollars to spend. Additional issuances are being planned in at least 20 states.

The authority to issue these bonds does not sunset under current federal law.

Qualified Energy Conservation Bond Process and Mechanics
As described above, Treasury allocated bond volume to the states, which in turn sub-allocate a portion of this authority to large local governments and municipalities (population 100,000 or more).[4] These counties or municipalities may waive their allocations and return them to the states.[5]

The issuer sells taxable QECBs to investors and the bond proceeds are used to fund a qualified project (see below for a description of qualified projects).

Issuers can choose to issue taxable bonds with a corresponding tax credit to the holders of the bonds or (as is more commonly done) elect to receive a direct cash payment from Treasury in lieu of the allowance of the tax credit to the holders.

In the more popular direct pay QECB, the issuer pays a taxable coupon to the investor and repays principal at the end of the term. In conjunction, the issuer may make level annual payments into a fund known as a "sinking fund," for payment of principal. Sinking funds are invested at the permitted sinking fund yield established at pricing (not shown in the Department of Energy (DOE) QECB Primer illustration below). Treasury pays issuer the lesser of the taxable coupon rate or 70% of the tax credit rate.

Whichever option the issuer chooses, the QECB subsidy is generally correlated with Treasury yields and has historically ranged from 2.9-4.1%. This corresponds to net financing costs for issuers of around 0.5- 1.5%. In addition, QECBs are fairly long-term financing options. The maximum amount of time the bonds can be outstanding ("maturity") is set by the government and has historically ranged from 12.5-19 years.[6] Up to date QECB rates and maturities can be found online at https://www.treasurydirect.gov/GA-SL/SLGS/selectQTCDate.htm.

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[3] Partial data suggests the following issuances may have occurred or be imminent: Dutchess County, NY $3.1 million; Erie County, NY $5.5 million; Monroe County, NY $5.5 million; Tompkins County, NY $1 million; Buffalo, NY $2.8 million; Yonkers, NY $2.1 million; and Brookhaven, NY $2.9 million.

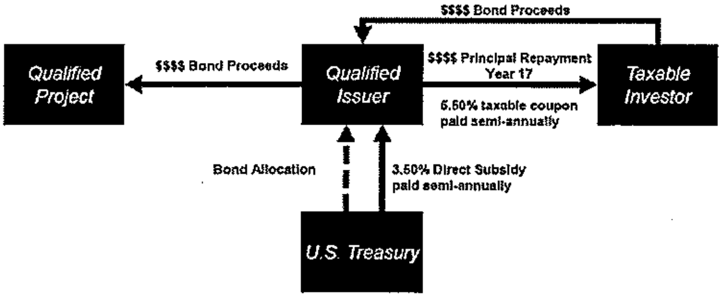
[4] See Notice 2009-29 (state by state allocations). The sub-allocation process has not been completed in some states.

[5] States have used a number of different approaches to the waiver process. One approach is to require large local governments to affirmatively waive their allocations before treating them as waived back to the state for use or re-allocation. Another approach is to require large local governments to notify the state by a certain date of their intent to utilize their allocation (with failure to notify being treated as waiver). A third approach is to require large local governments to affirmatively waive their allocations if a plan of use is not developed by a certain date. Some bond counsel have questioned the validity of the latter two approaches and the issuances stemming from forced waiver allocations; state counsel have occasionally questioned the authority of the state to require local government waivers. As such, affirmative waivers appear to be the more conservative approach of the various approaches known to us.

[6] Source: Wells Fargo

Net Interest Cost Example from the DOE QECB Primer[7]:

6.00%----Taxable rate
3.70%----Minus Direct Subsidy (5.29% tax credit rate x 70% subsidy)
2.30%----Equals Net Interest Cost (Taxable Rate-Direct Subsidy)



EPC is supporting an ongoing project to provide technical assistance to states to develop energy efficiency finance and renewable energy programs. We have developed a capacity to examine options for states to issue tax credit bonds to support the financing of energy projects. We are also coordinating efforts with the National Association of State Energy Officials (NASEO), DOE and Lawrence Berkeley National Laboratory to provide model documents and other QECB resources.[8]

Qualified Projects
QECBs may only be issued for qualified conservation purposes as defined in section 54D of the U.S. Internal Revenue Code. "Qualified conservation purposes" include capital expenditures:

1. To reduce energy consumption in publicly owned buildings by at least 20%[9]
2. To implement green community programs (including the use of grants, loans, or other repayment mechanisms to implement such programs)
3. For rural development (including producing renewable energy)
4. For certain renewable energy facilities (such as wind, solar, and biomass)[10]

The DOE QECB Primer indicates that a green community program can finance retrofits of existing private buildings through loans and/or grants to individual homeowners or businesses, or through other repayment mechanisms. Retrofits can include heating, cooling, lighting, water, conservation, storm water-reduction[11], or other efficiency measures.[12] However, issuers should

[7] The DOE QECB Primer may be found at: http://www1.eere.energy.gov/wip/pdfs/qecb_creb_primer.pdf
[8] The NASEO QECB resource page may be found at: http://www.naseo.org/resources/financing/qecb/index.html
[9] One issuer reported that the IRS provided informal guidance that these savings may need to be measured on a building-by-building basis; at least one issuer has issued bonds measuring savings on a portfolio basis.
[10] Other qualified purposes include research activities, mass commuting facilities, demonstration projects, and public education campaigns.
[11] One issuer reported that the IRS declined to rule favorably on whether water-conserving improvements were valid uses of QECBs issued under the 20% reduction in energy consumption prong of the eligible conservation purposes definition.
[12]http://www1.eere.energy.gov/wip/solutioncenter/pdfs/taking_advantage_of_qualified_energy_conservation_bonds_qecbs_presentation.pdf

keep in mind that IRS/Treasury, and not DOE, will audit bond issuances for compliance with section 54D and are not bound by DOE interpretation of IRS and Treasury rules and regulations. In addition, IRS and Treasury have provided little written guidance to address the more detailed questions most issuers have. A working relationship with experienced bond counsel is critical for potential issuers.

QECB Project Examples
Municipal Energy Efficiency -- Waterbury, CT
The Connecticut Development Authority issued $3.8 million of QECBs on August 12, 2010. Funds generated from the QECBs went toward heating and air conditioning improvements and window replacement for the Waterbury city hall and library.[13]

Multifamily Energy Efficiency – Boulder, CO
The Boulder Housing Partners (BHP) issued $1.5 million of QECBs on August 25, 2010 to increase energy efficiency in public housing projects. BHP used the bond proceeds for an Energy Performance Contract (EPC) to do weatherization and other energy reduction improvements on BHP's eight Public Housing sites. The EPC is expected to reduce carbon emissions in BHP's housing by 6,915 metric tons over the life of the project.[14]

Renewables -- Los Angeles, CA
The Department of Water and Power of the City of Los Angeles issued $131 million of QECBs on August 17, 2010 to expand their existing wind facility with the addition of 10 1.5 MW wind turbines as well as to build and operate a solar photovoltaic electrical generation facility.[15]

Green Community Programs--Residential Energy Efficiency Loans -- St. Louis, MO
The city of St. Louis is using its $10.7 million, issued April 19, 2011, in QECB funding for a residential energy efficiency loan program, which will provide unsecured loan financing for energy efficiency improvements to homes, with a maximum loan amount of $15,000.[16]

Green Community Programs -- Commercial PACE -- Boulder, CO
The city of Boulder issued $1.575 million in QECBs on November 5, 2010 and is using the funds for a Commercial PACE Program (funding commercial retrofits and efficiency improvements repaid through an annual property assessment).

University Improvements -- Louisville, KY
On December 15, 2010, the University of Louisville issued $20,942,000 in QECBs. It combined this funding with Build America Bonds to make improvements (using energy service performance contracting) within seventeen education and general buildings. The improvements

[13] http://www.ctcda.com/Financing/Bond_Financing/QUALIFIED_ENERGY_CONSERVATION_BONDS/
[14] http://www.stateenergyreport.com/using-qecbs-for-multifamily-housing-upgrades-a-case-study/
[15] http://www.treasurer.ca.gov/cdlac/news/summary.pdf
[16] For information on the loan program, see www.stlouissaves.com. See also LBNL's Policy Brief: http://eetd.lbl.gov/ea/emp/reports/ee-policybrief_062011.pdf and DOE presentation on Taking Advantage of QECBs: http://www1.eere.energy.gov/wip/solutioncenter/financialproducts/qecb.html

consisted of lighting retrofits, HVAC system replacement, building controls, motors, belts, water conservation, commissioning, and training.[17]

Utilization Trends

The most common use of QECBs has been to reduce energy consumption in publicly owned buildings by at least 20 percent through capital improvements. For example, such issuances make up 56 percent of total issuances and 100 percent of issuances in the Northwest and Southeast (regions with highest proportion of allocations used for 20 percent issuances). However, of the QECBs issued in the Southwest, 76 percent have been used for renewable energy facilities, like installing solar panels at public schools. Only two issuances nationwide are known have been used as green community programs (St. Louis, MO and Boulder, CO).

Across the country, state utilization rates range from complete lack of utilization (0 percent issued in a number of states) to complete exhaustion of allocation (100 percent issued in Kansas). See Table 1C. In addition to Kansas, state leaders include Kentucky (93 percent), South Dakota (79 percent) and California (71 percent). Twenty-eight states are not known to have issued any QECBs.

Regionally, utilization rates range from about 6 percent in the Southeast to almost 60 percent in the Southwest. See Graph 5. The Northeast, Midwest, Northwest and Central regions have utilization rates ranging from about 10.9 percent to 17.4 percent.

At the municipal level, issuances have ranged from as small as $120,000 for Rantoul Township High School District 193 in Champaign County, Illinois to as large as $131 million for the Los Angeles Department of Water and Power in California. See Table 1B. Large metropolitan areas that have issued QECBs include the City of Chicago, Las Vegas, Los Angeles, San Diego, and St. Louis. Many large metropolitan areas are not yet known to have utilized their allocations, however, and might benefit from coordination with state and territorial energy officials.

Updates Since November 29th

Since EPC's November 29th version of the QECB memo, the total number of known QECB issuances has increased to 99 projects in 23 states, up from 83 projects in 21 states. The increased figure reflects both new and older but previously unknown issuances.

Four new QECB issuances are Somerton, Arizona (approximately $1 million for solar technology for the public safety building and senior center), Navajo County/City of Show Lo, Arizona ($723,000 for an energy performance contract project), York County, Pennsylvania ($2.2 million to retrofit city facilities), and Lowell, Massachusetts ($2.6 million for energy efficiency projects).

EPC also learned of a number of older, previously-unknown issuances that occurred over the past year. Many of these were in California: Sonoma County ($1.9 million of QECBs for lighting retrofits, new air handlers, and a new air compressor for the fleet maintenance shop in August 2010); Yolo County ($2 million for energy efficiency purposes in March 2011); Kern

[17] See DOE presentation on Taking Advantage of QECBs: http://www1.eere.energy.gov/wip/solutioncenter/financialproducts/qecb.html

County ($4.3 million for solar arrays at the County Jail and the County Administrative Office in April 2011); the City of San Diego ($13 million for lighting conversion in April 2011); Santa Barbara County ($4 million for solar in May 2011), and Los Angeles County ($14 million for solar projects in August 2011). In Colorado, the University of Colorado issued $4.3 million of QECBs in October 2010 for energy improvements to the Medical campus. In Massachusetts, previously unknown QECB issuances include the Town of Gill ($127,000 for energy efficiency improvements through an energy performance contract in August 2011); Pentucket Regional School District ($4.5 million in October 2011 for school improvements); the Town of Fairhaven ($3 million for a wind energy project with partner Fairhaven Wind).

Taking into account all of these issuances, total known QECB issuances have now reached $614 million, an 12 percent increase from the November 29th figure of $547 million.

Two states new to our issuance list, Georgia and New Hampshire, have recently issued QECBs. State utilization rates increased in seven states: Arizona, California, Colorado, Massachusetts, New Hampshire, North Dakota, and Pennsylvania. Utilization rate increases for California, Colorado, Massachusetts, New Hampshire and North Dakota are due primarily to the inclusion of prior issuances not previously known to EPC, but Arizona, Massachusetts, and Pennsylvania experienced increases due to new issuances.

Utilization rates in most regions have also increased. The Southwest is up to 60 percent from 50 percent, the largest increase of any region (due to our discovery of prior issuances in California and two new issuances in Arizona).

Graph 2 shows the rate of QECB issuances on a quarterly basis beginning in the first quarter of 2010. At $43.4 million, the volume of issuance in the fourth quarter of 2011 represents a 35 percent decline in the quarterly QECB issuance rate from the third quarter of 2011. QECBs issuances began in the first quarter of 2010. The amount of QECBs issued in the fourth quarter of 2011 is the third lowest amount of any quarter (with smaller amounts issued seen only in the first two quarters of 2010, when direct pay QECBs were unavailable or new).

Barriers to the Use of QECBs

EPC and NASEO did extensive outreach to state governments in December 2011 to confirm issuance data and ask questions about state experiences with barriers to issuing QECBs. Twelve states[18] provided information about barriers to issuances in their state. The most commonly cited barriers were a) small allocations[19] (4 states or 33 percent of those that provided information) b) debt aversion at state and local levels (3 states or 25 percent), and c) lack of awareness, familiarity and/or understanding of QECBs or bonds generally at the state and local levels[20] (2

[18] Those 12 states were Arizona, Arkansas, District of Columbia, Illinois, Maine, Maryland, New Mexico, North Dakota, Tennessee, Texas, Virginia, and Wyoming. The city of Las Vegas also provided information.

[19] Small allocations often mean high transaction cost per dollar of bonds issued, since transaction costs in many cases are relatively fixed regardless of the size of an issuance.

[20] In some states a particular agency must be utilized whenever bonds are to be issued; in others a number of different agencies were possible candidates for implementing the QECB program and one was chosen and designated in an executive order or state legislation authorizing the QECB program and sub-allocations. At least 23 State Energy Offices (SEOs) were charged with implementing QECBs in their states. In other states, bonding

states or 17 percent).

Information Sharing and Technical Assistance
If you are exploring your options for energy program financing through QECBs, EPC and NASEO can offer assistance by sharing other state and governmental officials' experiences, putting you in touch with issuers who have dealt with similar issues, and reviewing your financing structure to provide comments and feedback. Conversely, if you have any experiences to share, we would very much like to hear from you so that other state and local governments may benefit from your work. This effort is being undertaken in a coordinated way with the NASEO Energy Financing Task Force, and EPC and NASEO will provide updates on these efforts on an ongoing basis.

If you would like more information on the issues listed above or if you have information on your state to feature, please contact me at ebellis@energyprograms.org and Diana Lin at dlin@naseo.org.

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authorities, development authorities, or other agencies have been authorized to run the QECB programs. Increased coordination across state and local agencies could facilitate implementation.

Table 1A: State and Local Issuances of QECBs (1/30/2012)			
State	Amount	Issued	Remaining
Alabama	$ 48,364,000	$ -	$ 48,364,000
Alaska	$ 7,120,000	$ -	$ 7,120,000
Arizona	$ 67,436,000	$ 16,023,804	$ 51,412,196
Arkansas	$ 29,623,000	$ -	$ 29,623,000
California	$ 381,329,000	$ 272,480,171	$ 108,848,829
Colorado	$ 51,244,000	$ 27,059,880	$ 24,184,120
Connecticut	$ 36,323,000	$ 9,800,000	$ 26,523,000
Delaware	$ 9,058,000	$ -	$ 9,058,000
District of Columbia	$ 6,140,000	$ -	$ 6,140,000
Florida	$ 190,146,000	$ -	$ 190,146,000
Georgia	$ 100,484,000	$ 5,372,000	$ 95,112,000
Hawaii	$ 13,364,000	$ -	$ 13,364,000
Idaho	$ 15,809,000	$ -	$ 15,809,000
Illinois	$ 133,846,000	$ 44,370,000	$ 89,476,000
Indiana	$ 66,155,000	$ 3,300,000	$ 62,855,000
Iowa	$ 31,150,000	$ -	$ 31,150,000
Kansas	$ 29,070,000	$ 29,070,000	$ -
Kentucky	$ 44,291,000	$ 41,306,080	$ 2,984,920
Louisiana	$ 45,759,000	$ -	$ 45,759,000
Maine	$ 13,657,000	$ -	$ 13,657,000
Maryland	$ 58,445,000	$ 6,515,000	$ 51,930,000
Massachusetts	$ 67,413,000	$ 22,549,237	$ 44,863,763
Michigan	$ 103,780,000	$ -	$ 103,780,000
Minnesota	$ 54,159,000	$ 12,005,000	$ 42,154,000
Mississippi	$ 30,486,000	$ -	$ 30,486,000
Missouri	$ 61,329,000	$ 11,440,000	$ 49,889,000
Montana	$ 10,037,000	$ -	$ 10,037,000
Nebraska	$ 18,502,000	$ -	$ 18,502,000
Nevada	$ 26,975,000	$ 8,135,950	$ 18,839,050
New Hampshire	$ 13,651,000	$ 1,129,348	$ 12,521,652
New Jersey	$ 90,078,000	$ -	$ 90,078,000
New Mexico	$ 20,587,000	$ -	$ 20,587,000
New York	$ 202,200,000	$ 3,569,470	$ 198,630,530
North Carolina	$ 95,677,000	$ -	$ 95,677,000
North Dakota	$ 6,655,000	$ 3,780,000	$ 2,875,000
Ohio	$ 119,160,000	$ 17,995,705	$ 101,164,295
Oklahoma	$ 37,787,000	$ -	$ 37,787,000
Oregon	$ 39,320,000	$ -	$ 39,320,000
Pennsylvania	$ 129,144,000	$ 28,779,560	$ 100,364,440
Rhode Island	$ 10,901,000	$ -	$ 10,901,000
South Carolina	$ 46,475,000		$ 46,475,000
South Dakota	$ 8,343,000	$ 6,575,000	$ 1,768,000
Tennessee	$ 64,476,000	$ -	$ 64,476,000
Texas	$ 252,378,000	$ -	$ 252,378,000
Utah	$ 28,389,000	$ 5,000,970	$ 23,388,030
Vermont	$ 6,445,000	$ -	$ 6,445,000
Virginia	$ 80,600,000	$ -	$ 80,600,000
Washington	$ 67,944,000	$ 17,905,000	$ 50,039,000
West Virginia	$ 18,824,000	$ -	$ 18,824,000
Wisconsin	$ 58,387,000	$ 20,270,000	$ 38,117,000
Wyoming	$ 5,526,000	$ -	$ 5,526,000
American Samoa	$ 673,000	$ -	$ 673,000
Guam	$ 1,826,000	$ -	$ 1,826,000
Northern Marianas	$ 899,000	$ -	$ 899,000
Puerto Rico	$ 41,021,000	$ -	$ 41,021,000
US Virgin Islands	$ 1,140,000	$ -	$ 1,140,000
Total	$ 3,200,000,000	$ 614,432,175	$ 2,585,567,825

1. The information attached hereto has been gathered from various sources, including IRS Notice 2009-29, Municipal Securities Rulemaking Board, Department of Energy (DOE), Wells Fargo, state and local issuer websites, state and local government contacts. The amount issued figure may be rounded.

2. Chart compiled by Elizabeth Bellis, Director, QECB Program, and Rebekah King, EPC, and was funded by the Energy Foundation, Ford Foundation, and others. Chart includes all known QECB issuances through January 30, 2012, but may not include all QECB issuances.

For more information, please contact Elizabeth Bellis at ebellis@energyprograms.org or Rebekah King at rking@energyprograms.org or 202-333-5915

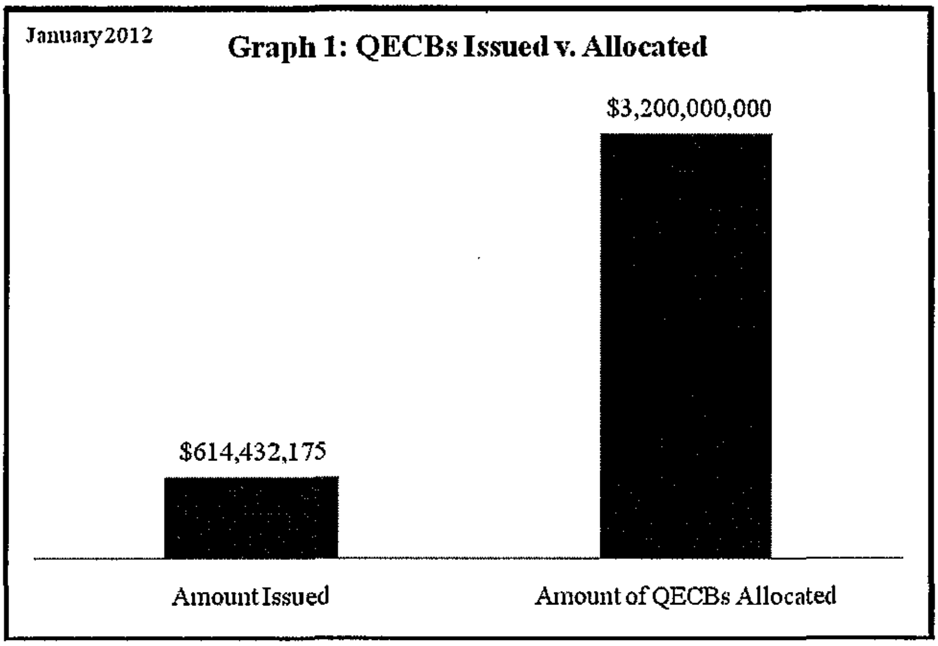
Table 1B: Qualified Energy Conservation Bonds Issued by State (as of 1/30/2012)				
Issued To	**State**	**Issue Date**	**Amount Issued**	**Use of Proceeds**
Somerton	Arizona	11/22/2011	$ 980,000	Solar improvements
Tempe	Arizona	7/1/2011	$ 7,300,000	Capital improvements
Tucson City	Arizona	6/23/2010	$ 5,590,000	Capital improvements
Tucson City	Arizona	6/9/2011	$ 1,430,000	Energy efficiency
Navajo County/ City of Show Lo	Arizona	1/3/2012	$ 723,804	Energy efficiency
Fallbrook Public Utility District Project	California	11/18/2010	$ 3,400,000	Solar improvements
Irvine Unified School District	California	7/29/2010	$ 4,840,000	
Kern County	California	4/12/2011	$ 4,337,131	Solar project
Lodi Unified School District Project	California	11/18/2010	$ 9,915,000	Solar improvements in schools
Los Angeles	California	10/25/2011	$ 11,920,000	City facilities retrofit
Los Angeles County	California	8/31/2011	$ 14,000,000	
Los Angeles Dep't of Water & Power	California	8/17/2010	$ 131,020,000	Solar & wind
Oxnard Union High School District Project	California	9/29/2010	$ 19,067,730	Solar improvements in schools
Rancho Water District Financing Authority	California	11/7/2011	$ 9,870,000	Capital improvements to water and wastewater facilities
Richmond	California	12/1/2010	$ 1,070,000	Streetlights and municipal capital improvements
San Diego	California	4/15/2011	$ 13,141,596	Lighting conversion program
Santa Barbara County	California	5/25/2011	$ 4,170,000	Renewable generation
Santa Clara County Photovoltaic Project	California	2/10/2011	$ 20,368,000	Renewable generation
Sonoma County	California	8/6/2010	$ 1,977,500	
Yolo County	California	3/16/2011	$ 2,019,214	
Yuba College Central Plant Efficiency Project	California	6/3/2011	$ 6,324,000	
Yuba Community College	California	6/21/2011	$ 15,040,000	Renewable generation
Boulder County	Colorado	2/2/2010	$ 5,838,050	Capital improvements
Boulder Housing Partners	Colorado	8/25/2010	$ 1,500,000	Multi-family capital improvements
Boulder PACE	Colorado	11/5/2010	$ 1,515,000	PACE - commercial
City of Boulder	Colorado	9/27/2010	$ 1,500,000	Capital improvements
City of Englewood	Colorado	9/15/2010	$ 1,286,440	Municipal capital improvements
Foothills Park & Rec Dt	Colorado	8/13/2010	$ 1,000,000	Recreational capital improvements
Fort Collins City	Colorado	6/28/2010	$ 6,410,000	Smart Grid
Mesa County School District #51	Colorado	10/29/2010	$ 2,000,000	School improvements
University of Colorado	Colorado	10/20/2010	$ 4,375,000	Higher ed capital improvements
Western State College	Colorado	8/19/2010	$ 1,635,390	Higher ed capital improvements
East Hartford	Connecticut	4/10/2010	$ 6,000,000	
Waterbury City	Connecticut	8/11/2010	$ 3,800,000	Municipal capital improvements
Fulton county	Georgia	8/23/2011	$ 5,372,000	
Champaign Cty (Rantoul) Township High School District 193	Illinois	12/20/2010	$ 120,000	School improvements
Champaign Cty School District 116 (Urbana)	Illinois	12/14/2010	$ 585,000	School improvements
City of Chicago	Illinois	11/4/2010	$ 29,665,000	Water
Deerfield	Illinois	9/26/2011	$ 12,500,000	Energy efficiency; wastewater reclamation facility reconstruction
McHenry CCSD	Illinois	8/31/2011	$ 1,500,000	School improvements
Ivy Technical Community College	Indiana	10/1/2010	$ 3,300,000	
Kansas Development Finance Authority	Kansas	12/21/2010	$ 17,819,000	Kansas State University projects
Lawrence City	Kansas	3/10/2011	$ 8,721,000	Renewable generation
Wyandotte County/Kansas Unified Govt.	Kansas	11/18/2010	$ 2,530,000	Municipal energy improvements
Louisville-Jefferson County Metro Govt.	Kentucky	9/14/2010	$ 7,408,700	Gov energy improvments
University of Kentucky	Kentucky	11/19/2010	$ 12,955,000	School improvements
University of Louisville	Kentucky	12/20/2010	$ 20,942,380	School improvements
Public schools	Maryland	7/27/2011	$ 6,515,000	School improvements
Belchertown	Massachusetts	9/20/2011	$ 3,140,000	Energy efficiency
Cathartes Private Investments/ Westford Solar	Massachusetts	8/22/2011	$ 5,800,000	Renewable generation
City of Northampton	Massachusetts	12/22/2010	$ 1,698,790	Energy Efficiency improvements in public buildings
Fairhaven Wind	Massachusetts	11/7/2011	$ 3,035,957	Renewable generation
Lowell	Massachusetts	12/2/2011	$ 2,648,000	Energy efficiency
Pentucket Regional School District	Massachusetts	10/21/2011	$ 4,567,510	School improvements
Scituate Wind/Town of Scituate	Massachusetts	8/10/2011	$ 1,531,480	Renewable generation
Town of Gill	Massachusetts	8/25/2011	$ 127,500	Energy efficiency

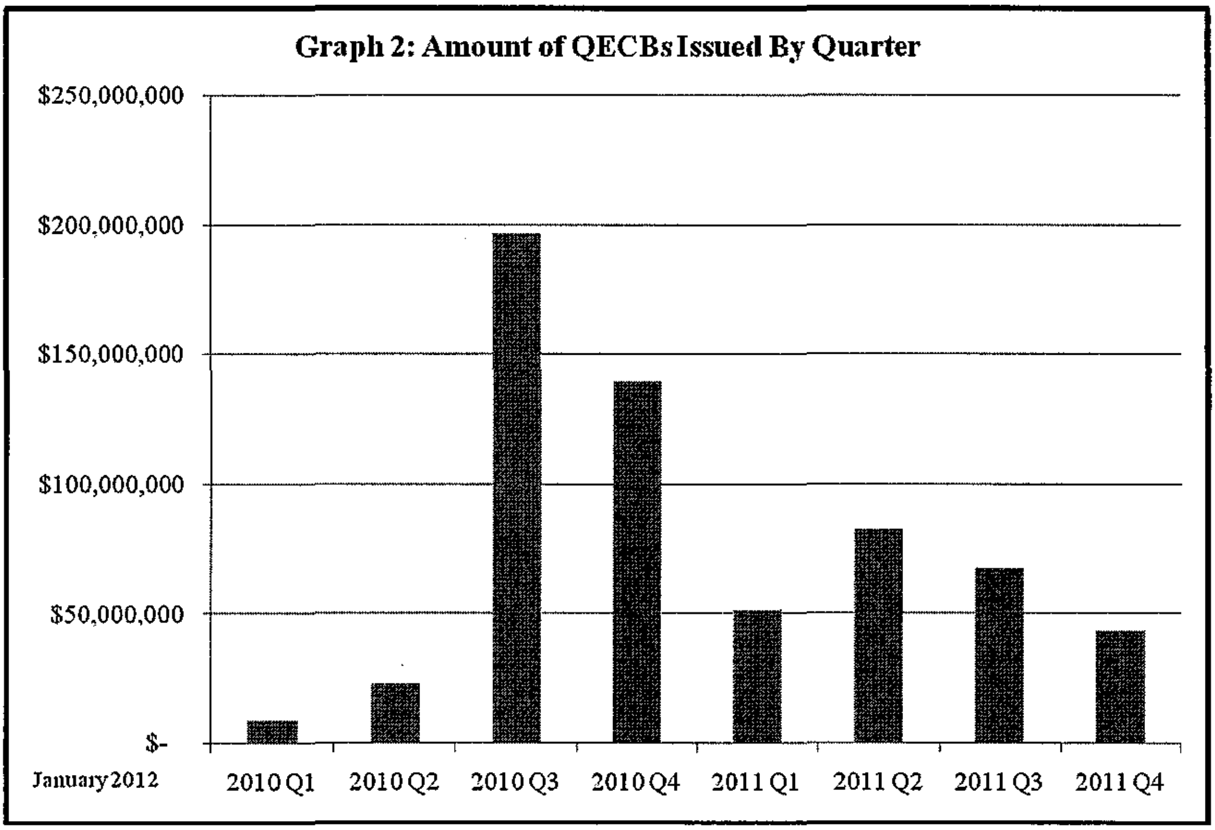
Issued To	State	Issue Date	Amount Issued	Use of Proceeds
ELY ISD #696	Minnesota	5/19/2011	$ 2,810,000	Energy efficiency in schools
Grant County	Minnesota	2/1/2011	$ 2,000,000	Capital improvements
Itasca County	Minnesota	2/8/2011	$ 3,690,000	Energy efficiency
New Hope Economic Development Authority	Minnesota	11/18/2011	$ 3,505,000	Energy efficiency
Greene County	Missouri	3/3/2011	$ 1,130,000	Energy efficiency
St. Louis County	Missouri	4/29/2011	$ 10,310,000	Green community loan program
City of Reno	Nevada	6/1/2010	$ 2,261,650	HVAC retrofit for Reno City Hall
Las Vegas	Nevada	3/16/2011	$ 5,874,300	City facilities retrofit
Manchester	New Hampshire	11/1/2010	$ 1,129,348	School improvements
Chautauqua County	New York	1/19/2011	$ 1,403,470	Financing expansion of Electric Generation Plant
Rochester City	New York	6/16/2010	$ 2,166,000	HVAC replacement
Morton County (Mandan S.D.)	North Dakota	4/11/2011	$ 3,780,000	School improvements
City of South Euclid	Ohio	8/31/2011	$ 386,145	Energy efficiency
Findlay	Ohio	6/30/2011	$ 518,010	County facilities retrofit
Kent State University (Main Campus)	Ohio	5/31/2011	$ 7,000,000	Energy efficiency and conservation improvements
Kent State University (Regional Campus)	Ohio	3/30/2011	$ 2,693,610	Energy efficiency and conservation improvements
Kent State University (Stark Campus)	Ohio	6/11/2010	$ 672,130	Energy efficiency and conservation improvements
Licking County	Ohio	9/29/2011	$ 2,121,000	County facilities retrofit
Owens State Community College	Ohio	3/18/2010	$ 3,125,000	Energy efficiency and conservation improvements
Pickaway County	Ohio	12/15/2010	$ 1,479,810	County facilities retrofit
Allegheny County	Pennsylvania	11/22/2010	$ 9,389,560	City facilities retrofit
Commonwealth of PA/Penn St CTFS Partn	Pennsylvania	9/30/2010	$ 15,700,000	Capital improvements to prison facilities
Fayette County	Pennsylvania	9/28/2011	$ 1,490,000	County facilities retrofit
York County	Pennsylvania	12/28/2011	$ 2,200,000	City facilities retrofit
Davison County (Mitchell) #17-2	South Dakota	11/10/2010	$ 1,725,000	1.5 MW wind turbine
Lake County	South Dakota	6/1/2011	$ 850,000	Renewable generation
Rapid City	South Dakota	11/1/2011	$ 4,000,000	School improvements
Utah County	Utah	10/22/2010	$ 5,000,970	Energy efficiency
Bellingham City	Washington	4/13/2011	$ 6,500,000	Energy efficiency
King County	Washington	11/15/2010	$ 5,825,000	Energy efficiency and HVAC project
Kitsap County	Washington	12/16/2010	$ 1,110,000	Sewer financing
Thurston County	Washington	10/26/2010	$ 2,040,000	City facilities retrofit
Yakima County	Washington	9/8/2010	$ 2,430,000	Energy efficiency in courthouse
Alma Center-Humbird-Merillan School District	Wisconsin	8/18/2011	$ 4,600,000	Energy efficiency improvements to schools
Dane Co (Mount Horeb) ASD	Wisconsin	4/18/2011	$ 2,500,000	Renewable generation
Jefferson School District	Wisconsin	3/18/2011	$ 2,345,000	Energy efficiency
Menasha School Dist (Winnebago County)	Wisconsin	6/28/2011	$ 1,690,000	School improvements
Osseo Fairchild School District	Wisconsin	11/1/2011	$ 750,000	Energy efficiency improvements to schools
Pleasant Prairie Village	Wisconsin	8/16/2010	$ 1,890,000	City facilities retrofit
School Dist Hartford No. 1 (Dodge and Washington Counties)	Wisconsin	4/11/2011	$ 2,295,000	Renewable generation
Western Wisconsin Tech College Dt	Wisconsin	7/21/2010	$ 1,500,000	Energy conservation/public education program
Western Wisconsin Tech College Dt	Wisconsin	1/27/2011	$ 1,500,000	School improvements
Western Wisconsin Tech College Dt	Wisconsin	7/27/2011	$ 1,200,000	School improvements
Total Issued as of 1/30/2012			$ 614,432,175	

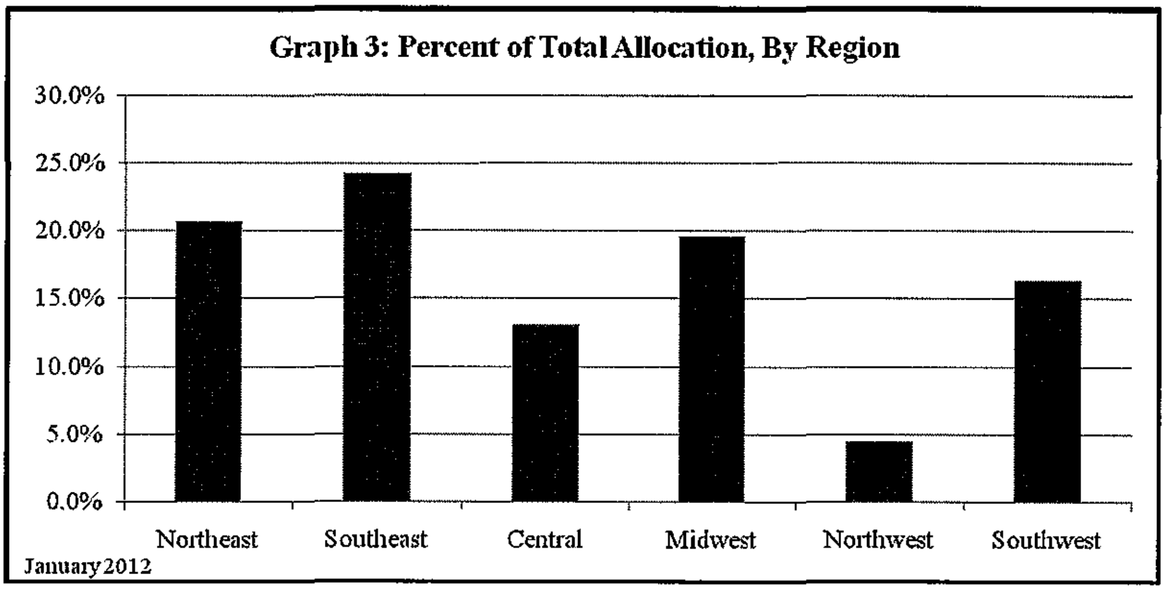
Note: Abbreviation "EE" is energy efficiency; abbreviation "res" is residential; "HVAC" is Heating, Air Conditioning, and Ventilation; "ed" is education; "bldgs" is Buildings.

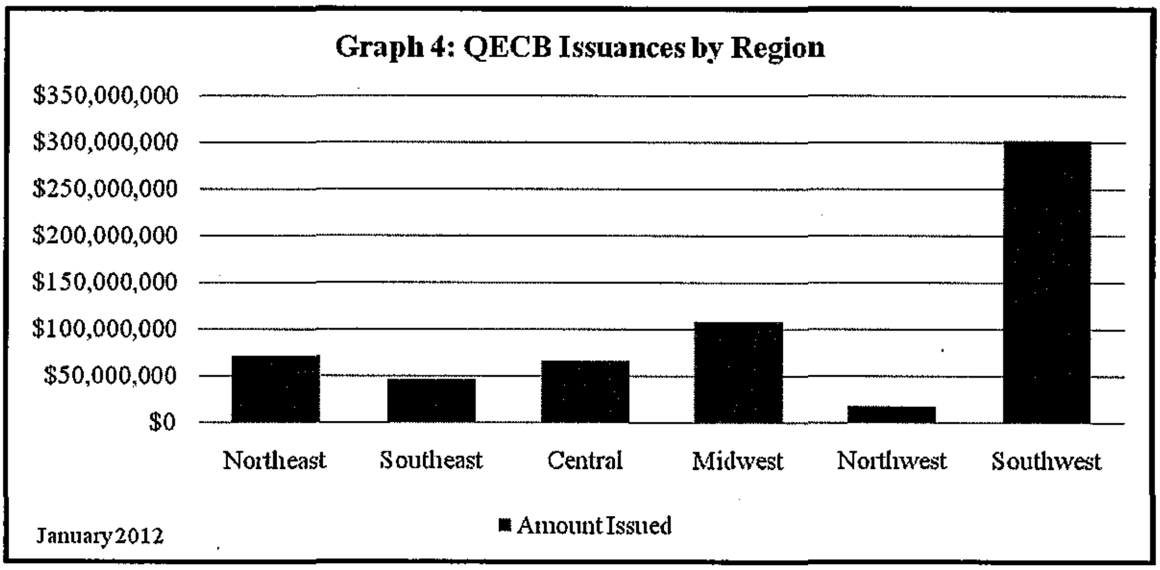
Note: Partial data suggests the following issuances may have occurred or be imminent: Dutchess County, NY $3.1 million; Erie County, NY $5.5 million; Monroe County, NY $5.5 million; Tompkins County, NY $1 million; Buffalo, NY $2.8 million; Yonkers, NY $2.1 million; and Brookhaven, NY $2.9 million.

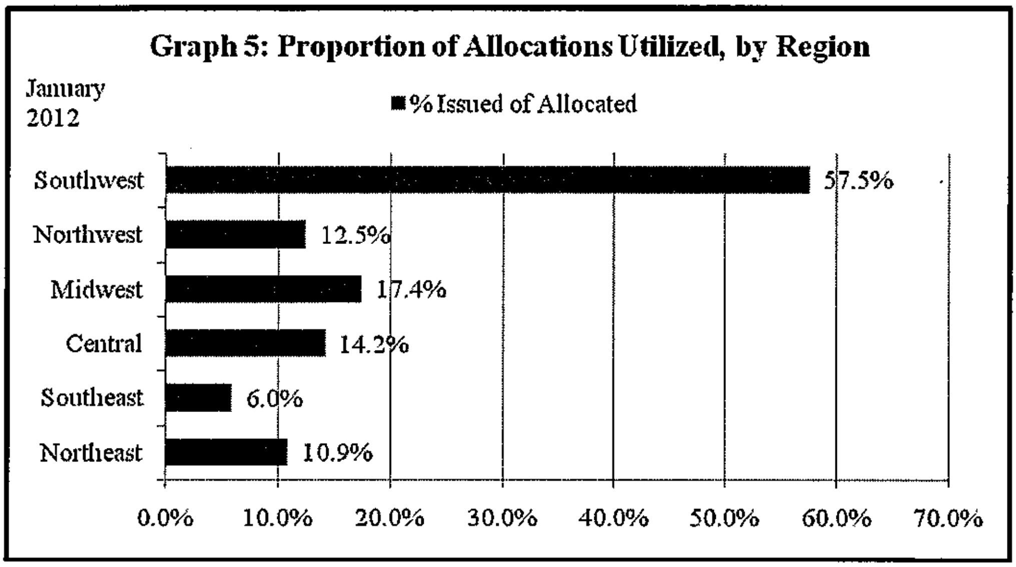
Table 1C: Proportion of Qualified Energy Conservation Bonds Issued by State 1/30/2012	
State	**Percent Issued**
Alabama	0%
Alaska	0%
American Samoa	0%
Arizona	24%
Arkansas	0%
California	71%
Colorado	53%
Connecticut	27%
Delaware	0%
District of Columbia	0%
Florida	0%
Georgia	5%
Guam	0%
Hawaii	0%
Idaho	0%
Illinois	33%
Indiana	5%
Iowa	0%
Kansas	100%
Kentucky	93%
Louisiana	0%
Maine	0%
Maryland	11%
Massachusetts	33%
Michigan	0%
Minnesota	22%
Mississippi	0%
Missouri	19%
Montana	0%
Nebraska	0%
Nevada	30%
New Hampshire	8%
New Jersey	0%
New Mexico	0%
New York	2%
North Carolina	0%
North Dakota	57%
Northern Marianas	0%
Ohio	15%
Oklahoma	0%
Oregon	0%
Pennsylvania	22%
Puerto Rico	0%
Rhode Island	0%
South Carolina	0%
South Dakota	79%
Tennessee	0%
Texas	0%
US Virgin Islands	0%
Utah	18%
Vermont	0%
Virginia	0%
Washington	26%
West Virginia	0%
Wisconsin	35%
Wyoming	0%
Total	20%

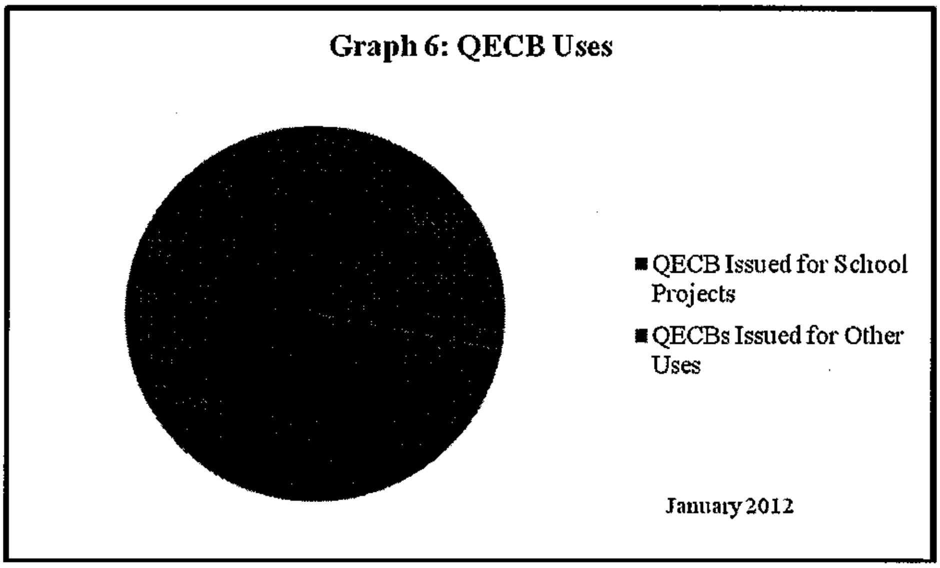

January 2012
Graph 1: QECBs Issued v. Allocated
$3,200,000,000
$614,432,175
Amount Issued
Amount of QECBs Allocated


Graph 2: Amount of QECBs Issued By Quarter
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$-
January 2012
2010 Q1
2010 Q2
2010 Q3
2010 Q4
2011 Q1
2011 Q2
2011 Q3
2011 Q4

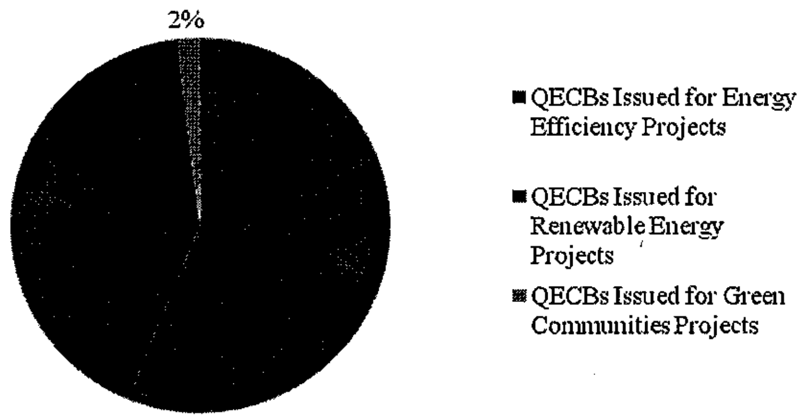

Graph 3: Percent of Total Allocation, By Region
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Northeast
Southeast
Central
Midwest
Northwest
Southwest
January 2012


Graph 4: QECB Issuances by Region
$350,000,000
$300,000,000
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$0
Northeast
Southeast
Central
Midwest
Northwest
Southwest
January 2012
Amount Issued


Graph 5: Proportion of Allocations Utilized, by Region
January 2012
% Issued of Allocated
Southwest
Northwest
Midwest
Central
Southeast
Northeast
57.5%
12.5%
17.4%
14.2%
6.0%
10.9%
0.0%
10.0%
20.0%
30.0%
40.0%
50.0%
60.0%
70.0%


Graph 6: QECB Uses
QECB Issued for School Projects
QECBs Issued for Other Uses
January 2012

Graph 7: Uses of QECBs Issued



Notes on Tables 1A, 1B, and Charts 1 - 7

1. Although IRS collects information on QECB issuances on Form 8038-TC, no government agency is currently sharing QECB issuance information. As such, it is not possible to ascertain the exact number and quantity of QECB issuances to date. The information attached hereto has been gathered from various sources, including IRS Notice 2009-29, Municipal Securities Rulemaking Board, Department of Energy, Lawrence Berkeley National Laboratory, Wells Fargo, state and local issuer websites, and government contacts.
2. Figures are rounded up.

HEVN
Hawaiian Electric Vehicle Network
a Sustainable Business Corporation

March 19, 2012

TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
ON HOUSE BILL NO.1033 HD1 SD1

RELATING TO PUBLIC FINANCE

Hearing:
Tuesday, March 20, 2012
2:50 PM
Conference Room 225
State Capitol

TESTIMONY IN STRONG SUPPORT OF HB1033, HD1 SD1

Aloha Chair Gabbard, Vice Chair English and Energy and Environment Committee Members;

My name is Michael Snyder and I am the Founder and President of Hawaii's first organized Sustainable Business Corporation. We are a new Renewable Energy Services Company which will as part of our business model will be renting Electric Vehicles, generating, storing and distributing RE, creating an EV charging network as well as performing Transportation and RE Research and Development in these emerging industries with partners such as General Motors/OnStar, Ford and General Electric. Our company is a member of the Maui EV Alliance which was named one of the top 5 EV initiatives in 2011, and will be working with the Japan US Island Maui Smart Grid Project.

Respectfully we submit this testimony as a statement of our support for HB1033, HD1 SD1.

We believe that in this ever increasing competitive global economy that it is imperative for Government, Financial and Education Institutions, Businesses, Labor and Individuals to work together to achieve Hawaii's HCEI commitment to have 70% clean energy generation and efficiency by 2030. If Hawai'i is going to meet its' goals and challenges of having a more sustainable environment and diversified economy, and improve its' business climate, spur innovation and create good jobs we believe that it is critical to enact legislation such as HB1033 HD1 SD1 to provide funding and financing opportunities through the Hawai'i Clean Energy Bank!

HEVN supports the purposes of the Clean Economy Bank of the State of Hawai'i, including:

(1) Enabling the State, along with other participating states, territories, and municipalities to leverage aligned resources and collective influence to build a national clean economy that creates jobs, reduces carbon emissions, and ensures our nation's energy security;

(2) Supporting clean economic development within the State and within participating states, territories, and municipalities, by increasing access to capital for local governments, businesses, and non-profits in partnership with local financial institutions;

(3) Lessening the burden on the State and other participating states, territories, and municipalities of financing qualified renewable energy, renewable energy transmission, energy efficiency, distributed generation, and oil-saving projects and technologies; zero or low-carbon transportation; clean energy manufacturing; municipal water efficiency; municipal waste efficiency; job training for energy efficiency projects; and for other related purposes;

We are particularly supportive of financing low carbon transportation.

As an Aeronautical and Aerospace Engineer, and having worked in the Defense, Telecommunications, and Information Technology industries for over 35 years, I know the importance and critical role that technology plays in keeping the United States at the forefront. If Hawai'i truly wants to be a leader in Renewable Energy and diversify its' economy and improve our sustainability, please pass HB1033, HD1 SD1 to promote and accelerate the incubation, innovation, development, funding and deployment of RE technologies and systems. As a State with some of the highest electricity and gasoline prices in the country, but also a State with an abundant supply of clean, green renewable energy resources. (solar, wind, wave, geothermal, biomass, biofuels, OTEC etc.) <u>Hawai'i is an ideal test bed for the nation and world to be a leader in Renewable Energy</u>.

This legislation provides us with an opportunity to lead by example and highlight our States' commitment to develop new avenues for business growth and its' dedication to doing what's right for its' 'aina and people. It is our responsibility to prepare the foundation, offer opportunities and provide our keiki with the tools required so that they can succeed and lead us through the 21st century. Working together anything is possible!!

Mahalo Mr. Chair, Mr. Vice Chair and Energy and Environment Committee Members for your thoughtful consideration. I look forward to testifying in person before your Committee tomorrow.

Very respectfully,

Michael Snyder

Michael Snyder
Founder and President
Hawaiian Electric Vehicle Network
Hawaii's first Sustainable Business Corporation

PACIFIC BIODIESEL

Pacific Biodiesel Technologies
40 Hobron Avenue
Kahului, Hawaii 96732
(808) 877-3144
(808) 877-5030 Fax
www.biodiesel.com

March 18, 2012

Senator Mike Gabbard, Chair
Senator J. Kalani English, Vice Chair
COMMITTEE ON ENERGY and ENVIRONMENT

HEARING: Tuesday, March 20, 2012, 2:50 pm, Conference room 225

Re: **In support of House Bill 1033 relating to the Clean Economy Bank**

Dear Chair Gabbard, Vice-Chair English and members of the Committee,

Pacific Biodiesel wholeheartedly supports House Bill 1033, creating our nation's first clean economy bank in the State of Hawaii.

HB1033 represents an incredible opportunity for Hawaii to become a true leader in clean energy beyond even our own goals. Federal officials and a core group of national stakeholders are currently working to accelerate the deployment of $2.6 billion dollars in unused ARRA funding that was allocated to states and municipalities in the form of QECBs. A significant portion of the remaining QECB allocations (in excess of $1B) were allocated to municipalities in amounts too small for those municipalities to effectively benefit from the low interest rates. Hawaii's Clean Economy Bank can aggregate and jointly issue these bonds on behalf of participating municipalities, thereby helping to position Hawaii as a core financial center of the emerging clean energy economy.

As a home-grown company that has extended its reach across the mainland U.S.A., Pacific Biodiesel has been receiving much attention for our sustainable business model and can attest to the advantages and ability of Hawaii to undertake the ambitious Clean Economy Bank. Our experience operating from perhaps the most remote of the fifty states has at times been challenging, but also rewarding. In fact, our remote location may be the biggest factor in our ability to remain mission-driven while still focusing on getting the job done and realizing economic success. Far away from the pressures of corporate lobbyists and Wall Street influences, we have been able to concentrate on growing a profitable green company that is involved nationwide with such organizations as the Sustainable Biodiesel Alliance, ASTM International, U.S. Army Corps of Engineers, U.S. EPA and many others, including various research and higher learning institutes.

We believe that Hawaii is the ideal place to begin the Clean Economy Bank model and keep it on track. Please pass HB1033.

Sincerely,

Kelly T. King

Kelly King, Vice President

March 19, 2012

The Honorable Mike Gabbard
Chair
Senate Committee on Energy and the Environment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Gabbard, Vice-Chair English and members of the Committee,

I write to support House Bill 1033 and the creation of our nation's first clean economy bank.

Investors, business leaders and local government officials agree that in order to accelerate the deployment of new technologies, replicate successful financing models across the country and attract greater investment from the private sector, the United States needs a clean economy bank. Efforts at the federal level to create a national clean economy bank have not been successful, but the need for such a bank remains paramount.

The clean economy bank outlined in HB 1033 contains a signature innovation. It would allow other states and municipalities to "opt-in," effectively creating a first-of-its-kind, national clean economy bank for all the state and local governments that choose to participate. The aligned resources of the participating governments will spur investment and open new markets to the industries that will save energy, reduce carbon emissions and make the United States more competitive in the global economy.

Southern Arizona's natural resources have made us a hub for solar energy. The potential for clean reliant energy is at hand. The primary obstacle is funding. As a State we were able to adopt legislation that made solar development feasible but the barriers still remain at the Federal Level. If we continue to tackle this from a State level we can effect positive change.

We applaud Hawaii's leadership and look forward to working with you in the days and years ahead.

Sincerely,

Julie Engel

Julie Engel
President/CEO
Greater Yuma Economic Development Corporation
899 Plaza Circle Drive, Suite 2
Yuma AZ 85365

899 E. Plaza Circle ★ Ste 2 ★ Yuma, Arizona 85365
928 782-7774 ★ Fax 928 782-7775
www.greateryuma.org

JULES KOPEL BAILEY
STATE REPRESENTATIVE
DISTRICT 42

HOUSE OF REPRESENTATIVES

March 19, 2012

The Honorable Mike Gabbard, Chair
Senate Committee on Energy and Environment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Re: In support of House Bill 1033 relating to the Clean Economy Bank

Dear Chair Gabbard, Vice-Chair English and members of the Committee,

I'm writing to encourage passage of House Bill 1033 and the creation of a Hawaii clean economy bank.

Since 2009, the State of Oregon has taken concrete steps to direct leveraged public and private investments into clean energy projects, including through loans. Moreover, we are currently considering proposals around the creation of a state bank, an Oregon Investment Act, and an expanding clean energy fund. As we look at ways to combine our efforts, I applaud the State of Hawaii for considering a Clean Economy Bank.

Why would a legislator from Oregon care about a Hawaii bill, especially when it might create competition? In actuality, more investment in clean energy means lower costs across the nation in this sector, a bigger, more robust industry, and critical progress on climate change. The more states that act, the more we win for good-paying, American jobs.

We must continually challenge each other to do better. Furthermore, I hope that after you pass this bill, we can discuss how our two states might collaborate further on shared wins, such as on wave energy.

Sincerely,

Rep Jules Bailey, HD-42
Co-chair, House Energy Environment and Water Committee

Capitol Address: 900 Court St NE, Salem, OR 97301 - 503-986-1442 - rep.juleskopelbailey@state.or.us

From the Desk of
The Rev. Samuel L. Domingo

FROM: REV. SAMUEL L. DOMINGO, FACE Oahu President
TO: SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
March 20, 2012 2:50 PM
HB 1033 SD1 Relating to the Clean Economy Bank of the State of Hawaii

Good afternoon Chair Gabbard, Vice Chair English, and committee members:

I am writing in strong support of the proposed clean energy bank which is a reasonable compromise between two very different interests. It is essential that this pass on to WAM and further that it stay a bank, so that the state can retain the maximum benefit from the new entity.

I am frustrated at the lack of support for this concept in the banking community, and I am concerned that both here in Hawaii, as well as out in the nation banks and hedge funds seem to want to return to the pre-Recession practices that led to disaster for the middle class. I want to warn everyone that Elizabeth Warren is a good Methodist, and like her I believe that we have entered into a lawless time where the regulatory agencies seem like extensions of the bank lobby. Even here in Hawaii, where our banks have served us relatively well it is sometimes hard to tell the difference between the position of the Commissioner of the State of Hawaii Finance Division and the local banks themselves.

The current bill contributes to building a better finical sector by creating an entity which can capture money we might otherwise lose to DC, puts us in partnership with other states, and establishes a way to add revenue to the state.

I urge passage of HB 1033.

Mahalo,

Rev. Samuel L Domingo

204 Ku'uhoa Place
Kailua, Hawai'i 96734

Testimony for ENE 3/20/2012 2:50:00 PM HB1033

Conference room: 225
Testifier position: Support
Testifier will be present: Yes
Submitted by: Tasha Kama
Organization: FACE
E-mail: kahukama@gmail.com
Submitted on: 3/19/2012

Comments:
I am Rev. Tasha Kama and serve as the Pastor of the Christian Ministry Church in Wailuku, Maui. I am pleased to submit testimony to the Committee On Energy and Environment.

I am in strong support of HB 1033 SD1 as it moves to establish a state bank with a focus on clean energy. The state bank concept was first raised in Hawaii by native Hawaiians working on Community Reinvestment issues. It seemed to us then that it would help the state in areas that were currently underserved by Hawaii's conventional banks. This strategy has been pursued on the mainland in the native community with great success- the Native American bank being one stand out example.

Focusing on clean economy issues and green energy conversion as a business model is not ideal - but it is a good compromise between consumer and local banking interests. This bill gives us all a chance to look at how a state bank works, see what kind of interest rate it returns to the state (as opposed to the rates currently provided by Bank of Hawaii and First Hawaiian/Banc West). It also lets us capitalize the bank with funds that otherwise appear to be in danger of having to be returned to the federal government.

Please pass this on to Ways and Means!

Testimony for ENE 3/20/2012 2:50:00 PM HB1033

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: NaPua Amina
Organization: Face Maui
E-mail: napuaamina@yahoo.com
Submitted on: 3/19/2012

Comments:
I'm Napua Amina ,

A member of St. Theresa Church and Chair person for FACE Maui jobs task force.

Why a State Bank make sence in principle..

a) better interest rate for the State for its money
b) make loan with a social purpose
c) free up lending in areas where it is harder to get credit
   (esp in conversion to green economy)
d) capture unspent energy funds in partnership with other States.

Thank you,
Napua Amina

COMMITTEE ON ENERGY AND ENVIRONMENT
Senator Mike Gabbard, Chair
Senator J. Kalani English, Vice Chair
HB1033 SD1, RELATING TO PUBLIC FINANCE
Tuesday, March 20, 2012, 2:50 p.m., Conference Room 225

Good afternoon Chair Gabbard, Vice Chair English and committee members:

I am Karen Muronaka, retired teacher, a member of Kahalu'u United Methodist Church and member of both the Education Task Force and the Health Committee of Faith Action For Community Equity (FACE).

I support establishment of a state bank for a number of reasons.

1) The state could earn a better interest rate for its revenues than it could in a commercial bank, whose goal is profit for its share holders.

2) A state bank would grant loans with a strong social purpose i.e., the best interests of the people of Hawaii.

3) A state bank would have the flexibility to grant loans in areas where it is difficult to establish credit yet would have positive benefits for the state, as in conversion from a fossil fuel economy to a green economy. Hawaii imports more offshore fuel than any other state. A green economy would free us from such energy dependance and ultimately lower our energy costs, which are rising at an alarming rate.

4) The money saved by a state bank could be used to help Hawaii's people in so many ways, from improving its educational system to caring for the health of our citizens.

5) Unspent energy funds could be used to form partnerships with other states to create projects of mutual benefit to everyone.

It is time for us to have an alternative to banks which give the state's revenues a ridiculously low interest rate. Let us become a state that values energy independence and sustainability.

Sincerely,

Karen Muronaka

Karen Muronaka
(808) 247-4202; kmuronaka@hawaiiantel.net

Dear Senator Gabbard and Committee on Energy and Environment,

My name is Catherine Graham. I am a member of the First Unitarian Church of Honolulu and a leader in FACE. I totally support HB1033. In fact, I think it is one of the most exciting proposals to hit this state in the 34 years that I have lived here.

Imagine, a bank for people and not profit. Sounds exactly like what our state needs. The State will get a better interest rate than it is currently receiving from our standard banks, it will make loans with a social purpose – like in green jobs and clean energy. And it will capture unspent energy funds in partnership with other states.

I love the idea of Hawaii being a leader in this field – of taking a stand for the 99% while looking after its own financial health. Please pass this bill.

Catherine Graham

"When I let go of who I am, I become who I might be" Lao Tsu

Faith Action for

FACE

Community Equity

TESTIMONY FOR 2:50 PM ENE HEARING, MARCH 20, 2012

TO: Senator Gabbard and the Committee on Energy and Environment
RE: My strong support for HB 1033 ProposedSD1
Date: March 20, 2012

Good Afternoon. I am Reverend Bob Nakata and I am an active member of FACE (Faith Action for Community Equity). I am pleased to submit my testimony to Sen. Gabbard's Committee today. I am in strong support of HB 1033 Proposed SD1. I am deeply impressed and excited that so many of our legislators have spent time developing this innovative and important concept for a state bank for Hawaii.

As you probably know, I have worked with FACE and through my church congregation in Kahalu'u for years now to prevent unnecessary foreclosures for families in our state. Through this work, I have learned that there are opportunities out there for banking to be more in the people's interest than just in the interest of profits for offshore companies.

As I understand it, the Clean Economy Bank as it is being proposed here is a big step and one whose structure might be new to many people. But if you read the bill, which I have had to do several times now, you will see that this Clean Economy Bank allows Hawaii to take advantage of $13 million in federal bonds that we may otherwise lose. In addition to this Clean Economy Bank helping Hawaii to secure our $13 million in federal bonds, other states have also voiced their interest in depositing their federal energy bonds in our bank. While this might seem strange, there is a good reason for it: other states that have not yet sold their federal energy bonds need to move before these bonds expire. As of January 31, 2012, Hawaii is one of 32 states that has not sold any of its allotted bonds and are at risk of losing them. This is not Hawaii's fault; the guidelines for the use of these bonds were not clear enough when they were allotted to states, so states are hesitant to commit to projects until the guidelines are made more clear. The creation of the Clean Economy Bank allows Hawaii, and possibly other states a well, to hold and protect these bonds from expiration and use them at their own pace.

Hawaii spends more money every year importing energy that any other state in the country. We must find a way to produce more of our own energy so that our families, communities and social programs can survive. I am not normally a 'green energy' advocate, but these things are all linked. We want Hawaii to prosper and I know you do, too. I cannot see how we can prosper if we keep up the highest imports of offshore energy of any state in the country.

I know that local banking interests have been opposed to the idea of a state bank all along. I can understand why. It is not because they do not want us to prosper. It is more likely because it is a new idea and part of what we count on the local banks for is their cautious and conservative nature. I urge the local banks to lend this concept of a Clean Economy Bank the benefit of their cautious and conservative nature to help create this innovative next step for Hawaii's prosperity.

And please do not forget the vital role a State Bank could play in helping negotiate with offshore banks to protect our families from unnecessary foreclosure. I know that this draft does not include that provision, but I urge you to find a way to add this feature to the Clean Economy Bank.

Mahalo for your time & attention to this important project.

Sincerely,

Rev. Bob Nakata

March 19, 2012

To: Committee on Energy and Environment

Senator Mike Gabbard, Chair

Re: HB 1033 SD 1

I am writing today in support of the bill HB1033 SD1. My name is Jeanie Vance, I currently hold the position of vice president for FACE Maui and I have been a resident of Hawaii for over 30 years. A self-employed business owner since the '80s and a mother of 3 grown children with families, I have a vested interest in the future of our island home. I understand the power of managing our resources properly and as an advocate of the people it is my strong belief that a state bank will be a valuable asset for Hawaii. I encourage the 2012 legislature to take decisive action in this direction.

At a time when we are working so hard to move towards a stable and thriving economy, a Clean Economy Bank makes sense for so many reasons. Receiving the interest from our state revenue alone are *millions* of reasons why it would make sense. Additionally, these funds can be used to make it easier to fund green energy projects at a time when loans (especially of this type) are so difficult to obtain. Hawaii's Clean Economy Bank can be a vehicle for Hawaii to lead the field in green energy development (we currently import more energy products than any other state in the union) and it will be of great value to both our state and our country. It is my understanding that we may also be able to play a role in helping other states manage their energy funds received from the stimulus as well.

I believe this is a crucial step towards a new era of self-sustainability and growth in a new and better direction...for our people and for the planet. It is not often that we have the power to effect such impactful change and to plot a new and better path in a broken financial system. I thank you for your hard work and advocacy.

With aloha,

Jeanie Vance

Jeanie Vance, R (S)
(808) 268-5550 direct line
(808) 270-2745 fax

Senator Mike Gabbard, Chair
Senator J. Kalani English, Vice Chair
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

HEARING: Tuesday, March 20, 2012 at 2:50 pm in conference room 225

Supporting House Bill 1033 relating to the Clean Economy Bank

Chair Gabbard, Vice Chair English and members of the committee,

I am in strong support of HB 1033. By creating the Clean Economy Bank this year, the legislature will significantly strengthen Hawaii's position as a national center of the emerging clean energy economy.

I commend this committee for its work on the proposed Senate draft and I thank you for the opportunity to explain my support in person.

Mahalo,
Ian Chan Hodges
Haiku, Hawaii

Anne W. Jenny
1465 Baldwin Ave
Makawao, HI

(808) 579-9456

RE: Proposed State Bank

I am an expert regulatory economist. My experience includes working as a bank examiner for the US treasury's Office of the Comptroller of the Currency during the Savings and Loan crisis of 1980's and as congress deregulated the industry in the 1990's. In addition to examining failed and about to fail banks I served on chartering examination teams- the ones who decide if a proposed bank can meet the requirements for a national bank charter. I also served regularly on multi-jurisdictional teams (OCC, FDIC & Fed) that examined multi-national banks and the broker-dealer operations on Wall Street. I was selected as a regulatory compliance trainer for the Federal Financial Institutions Examination Council.

After being deregulated out of a job, I was hired to teach Economics for the University of Hawaii. I am also an active member of FACE Maui.

State banking worked in North Dakota and continues to do so because it balances both the supply and demand for investment capital and the supply and demand for money used as a medium of exchange. The state bank also eliminated the profiteering that occurs in volatile markets and has limited itself to actual banking. The Bank of North Dakota does not engage in the risky speculative activities and secondary market gambling that caused the 1929 and 2008 economic crises and the Savings and Loan failures of the 1980's.

Money is subject to the same rules of supply and demand as is anything else in the market place. The cost of money is interest. When money is in short supply, interest rates increase; when it is readily available interest rates decrease. Current interest rate to the banks is 0.25% while to consumers it ranges from 6 to 30%. Thus consumers pay 2400% mark-up on the cost of funds. The interest rates paid on most deposits (which are the other funds that banks can lend) is also less than 1% with an equivalent mark-up on loan products the loan products that the banks sells. Although the profiteering of the commercial banks pales in comparison with that of the payday lenders who's APR can range up to 300% and beyond.

My tax dollars, otherwise known as state revenues, are earning the private banks significant returns in the form of interest on the deposits that they are given. In addition the state pays rather larger amounts of management fees and other charges for the privilege of allowing the banks to profit from the state's deposits and my tax dollars. Those fees and charges would be far better used to support direct economic investment.

The differential in interest rates means that money is readily available to the banks but is in short supply for the consumer. A state bank would hold its funds in the State of Hawaii increasing the supply of funds statewide and thereby significantly reducing the costs and increasing availability of money to consumers. Affordable and readily available resources are the single most effective driver of economic activity. In addition money is more than a resource is also a medium of exchange. The supply of funds available for transactions determines the overall level of economic activity within the system. Increasing the number of transactions in the economy increases both the local GDP as well as tax revenues.

Secondary Markets

Productive investments are those that add to economic activity. Productive investments are ***only*** the initial investment in a stock, bond or loan. When that financial asset is sold in the secondary market the purchaser adds nothing to the original value of the loan to the initial borrower. Instead any gains from the sale of the asset in a secondary market go to the owner of the stock bond or loan.

According to ***Hawaii Statutes §712-1220 Definitions of terms***- secondary market transactions are gambling. However, financial transactions are specifically exempted from the rules that cover all other types of gambling activities.

> *(3) "Contest of chance" means any contest, game, gaming scheme, or gaming device in which the outcome* ***depends in a material degree upon an element of chance****, notwithstanding that skill of the contestants may also be a factor therein.*
>
> *(4) "Gambling". A person engages in gambling if he stakes or risks something of value upon the outcome of a contest of chance or* ***a future contingent event not under his control or influence****, upon an agreement or understanding that he or someone else will receive something of value in the event of a certain outcome. Gambling does not include ... contracts* ***for the purchase or sale at a future date of securities or commodities****...*

A state bank could and should limit its activities to the primary markets, funding direct economic activity, and avoiding the non-productive gambling risks that caused the national system to fail not once but twice.

Please pass this on to Ways and Means so that we can continue the discussion.

Testimony for ENE 3/20/2012 2:50:00 PM HB1033

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: R. Kinslow
Organization: Individual
E-mail: newsletter@riseup.net
Submitted on: 3/20/2012

Comments:
Aloha,

I support the Clean Energy bank for Hawaii. As a former systems engineer and now graduate student in Sustainable Development the localization of economies is a central element of any long term sustainability for our islands. Globalizing food production and money circulation has led to the brittle problems and failures we are now experiencing. These failures can be avoided in Hawaii by the creation of a state development bank. I spoke candidly with Joseph Stiglitz the other day when he was here about this exact issue. He strongly supported the localization of economy concept and also specifically suggested a development bank as a good way to encourage island sustainability. Further, this bank could develop the understanding of scale and how big might the economy become in Hawaii before it negatively impacts on the environment in which we are embedded. This would be a innovative approach to sizing the economic engine of Hawaii.

Please also take my personal encouragement to avail yourselves of interns and graduate students from the Global Leadership and Sustainable Development grad program at HPU in order to understand the systemic values of sustainability. For without this SYSTEM understanding how can you make decisions about sustainability? Without a systemic approach we will continue to incrementally fritter around the edges of sustainability, never achieving the core benefits of system resilience.

Mahalo for your concern for those yet to come- the children of tomorrow. It is for them that I write.