

# SB 368

## RELATING TO ENERGY.

Creates the Hawaii solar loan guarantee program and revolving fund to be administered by the director of business, economic development, and tourism to guarantee loans for solar energy devices and photovoltaic systems. Makes an appropriation for the program subject to program requirements and restrictions

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT, AND  
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING  
ON  
SENATE BILL NO. 368

February 12, 2013

RELATING TO ENERGY

Senate Bill No. 368 creates the Hawaii Solar Loan Guarantee Program and Revolving Fund to be administered by the Director of Business, Economic Development, and Tourism (DBEDT), to guarantee loans for solar energy devices and photovoltaic systems.

The Administration has submitted a bill SB 1087 Related to Green Infrastructure which we believe will accomplish the intent of SB 368 without the need for state appropriations and at a lower cost to the consumer.

Should the committee progress SB 368, the Department has technical comments on the bill.

Pursuant to Article VII, section 13 of the State Constitution, the State must establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State. This reserve needs to be established and funded by the legislature. (Historically, the reserve funding levels have been in the 15% to 25% range, depending on the degree of risk.) Accordingly, the Department recommends the 1% reserve level stated on line 14 of page 3 of the bill be increased to an amount within the 15% to 25% range. In addition, the Department recommends the bill be amended to include the following new sections:

SECTION \_\_\_\_\_. There is created a trust fund in the state treasury to be known as the solar loan guarantee trust fund which shall serve as the reserve for all loans guaranteed under this Act.

SECTION \_\_\_\_\_. There is appropriated out of the \_\_\_\_\_ of the State of Hawaii the sum of \$ \_\_\_\_\_, or so much thereof as may be necessary for fiscal year 2013-2014, to be deposited into the solar loan guarantee trust fund. This sum shall, if and when necessary, be expended by the department of business, economic development, and tourism, for the purposes of this Act.

The bill also establishes the Solar Loan Guarantee Revolving Fund into which is deposited appropriations by the Legislature, fees collected from lenders, and monies from other DBEDT funds. The revolving funds may be used to guarantee an unspecified percentage of the principal value of a loan made under the Solar Loan Guarantee Program.

As a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the HRS. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 368, it is difficult to determine whether the fund will be self-sustaining.

I encourage the Legislature to scrutinize the fiscal and operational plan for this program to ensure that it does conform to the requirements of Section 37-52.3, HRS.

Thank you for the opportunity to testify on this measure.



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Statement of  
**RICHARD C. LIM**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEES ON ENERGY AND ENVIRONMENT  
AND  
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING**

Tuesday, February 12, 2013  
3p.m.  
State Capitol, Conference Room 225

in consideration of  
**SB 368**  
**RELATING TO ENERGY.**

Chairs Gabbard and Dela Cruz, Vice Chairs Ruderman and Slom, and Members of the Committees.

The Department of Business, Economic Development & Tourism (DBEDT) offers comments on SB 368, which creates the Hawaii Solar Loan Guarantee Program and Solar Loan Guarantee Revolving Fund to provide loan guarantees to qualified homeowners to install solar energy devices.

DBEDT supports the intent to enable financing options at reasonable rates to those who are otherwise unable to access financing products for clean energy. We prefer, however, the Administration's bill, SB 1087, that would enable alternative low-cost financing to a broader market segment, including homeowners, renters, and non-profits, to purchase or otherwise acquire green infrastructure through a low-cost loan program to make clean energy affordable and accessible.

DBEDT initiated a credit enhancement program in 2011, with funds from the Federal Recovery and Reinvestment Act, to support energy loans by participating local lenders with a

loan loss reserve. Hawaii's GreenSun program is currently leveraging about \$3M in funds enabling participating lenders to mitigate their lending risk and offer an array of energy efficiency and solar loans to the residential and commercial markets that would otherwise not exist. In addition, the structure of the GreenSun loan loss reserve credit enhancement requires the participating financial institutions to share in a percentage of the default losses which makes for better loans, less default rates, and better preserves the original seed capital which can then be used in perpetuity to reach the broader market in energy lending.

DBEDT defers to the appropriate department regarding the fiscal impacts and cost implications of this measure.

Thank you for the opportunity to offer these comments on SB 368.