

- SUBJECT:** Extending an energy efficiency loan pilot program for certain nonprofits
- COMMITTEE:** Energy Resources — favorable, without amendment
- VOTE:** 9 ayes — Darby, Paddie, Anchia, Craddick, Herrero, Keffer, P. King, Meyer, Wu
- 0 nays
- 4 absent — Canales, Dale, Landgraf, Riddle
- WITNESSES:** For — Cyrus Reed, Lone Star Chapter Sierra Club; Bee Moorhead, Texas Impact; (*Registered, but did not testify:* Luke Metzger, Environment Texas; Dewayne Quertermous, Fort Worth Sierra Club; Madeleine Crozat-Williams, Houston Peace and Justice Center; Michael Jewell, McKinstry; Lon Burnam and Kasey Corpus, Public Citizen Texas; James Williams, Sierra Club; Arthur Browning, Sierra Club, Houston Regional Group; David Weinberg, Texas League of Conservation Voters; John Pitts, Jr., Texas Solar Power Association)
- Against — None
- BACKGROUND:** Government Code, sec. 2305.032 established the LoanSTAR Revolving Loan Program, which is administered by the State Energy Conservation Office (SECO) in the Office of the Comptroller. Under the program, SECO may provide loans to finance energy and water efficiency measures for public facilities. SECO must set the interest rate for a loan low enough to recover administration costs, and a borrower must repay the principal and interest on the loan with the savings accrued from implementing the conservation measure. The funds that are repaid by borrowers then are loaned out again. SECO must ensure that at least \$95 million is available to the program at all times. The program’s funding source is petroleum violation escrow funds from the federal government.
- In 2011, HB 2077 added Government Code, sec. 2305.0322 directing SECO to establish and administer a pilot program under the LoanSTAR

program to provide loans for churches and community-based nonprofit organizations. These loans would be used to finance the implementation of energy efficiency measures and renewable energy technology in buildings that the organizations own or operate. The pilot program is set to expire December 31, 2015.

DIGEST: HB 2769 would extend by two years, to December 31, 2017, the expiration date of the pilot program to provide loans to churches and community-based nonprofit organizations under the LoanSTAR Revolving Loan Program.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2015.

SUPPORTERS SAY: HB 2769 would extend a pilot program through which churches and community-based organizations are eligible for LoanSTAR loans to invest in energy efficiency and renewable energy technology improvements. It took longer than expected to develop a program model suited to nonprofit borrowers, and the application window was narrow. Now that an appropriate program model exists and the community of potential borrowers has been educated, letting the program expire at the end of this year would be a waste of resources and a lost opportunity. Extending the expiration date would provide an opportunity for churches and community-based organizations to be included under SECO's LoanSTAR program.

Churches and other community-based organizations are important partners with the state in serving as a safety net for many vulnerable Texans. Throughout Texas, these organizations assist with food pantries, job training, prison re-entry programs, disaster relief efforts, foster care, and refugee resettlement. They depend on the charitable giving of their members and foundations who want their donations to fund the mission of the organization and not facility upgrades.

Utility bills are one of the largest line items in a church or community-

based organization's budget. These organizations often operate out of large, old, and inefficient buildings. Energy efficiency, renewable technology, and water conservation measures on these buildings could lower utility bills, freeing up money to be spent elsewhere on helping their communities. However, these organizations often lack the capital required to make such investments. The LoanSTAR program has been successful in the public sector, and extending the pilot program would provide an ideal resource for churches and community-based organizations wanting to make such investments.

OPPONENTS
SAY:

Since the pilot program was initiated, one application was received through two separate solicitations. That application was withdrawn and never resulted in a loan. While the LoanSTAR Revolving Loan Program has a record of success for public sector projects, nonprofit projects have proved difficult. Lending public funds for private projects requires a high level of diligence, control, and risk management that can create a perceived administrative barrier for borrowers. Additionally, loans to non-public entities carry a higher credit risk.

SECO has made numerous attempts to create a program model on its successful public sector loan program that would be attractive to private sector borrowers, but after several offerings and extensive outreach, the pilot program has not resulted in any active loans. Allowing the pilot program to expire would allow SECO to free up funds for interested public borrowers that are currently allocated for this pilot program.

Since tailoring the LoanSTAR model to nonprofit projects has proved difficult, it might be more appropriate for churches and community-based organizations to pursue other funding options that could offer more flexibility. For example, the Property Assessed Clean Energy (PACE) program would allow churches and community-based organizations to pursue improvements using property assessments on their buildings as a repayment mechanism.

OTHER
OPPONENTS

Historically, the LoanSTAR Revolving Loan Program has been reserved for public entities. The funds available in the LoanSTAR program are

SAY: limited and should not be used to finance loans for churches and community-based organizations.