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State Incentives for Energy Efficiency

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It is easy to take energy prices for granted when they are low and stable. During the summer of 2000, however, they were anything but low, and have steadily increased. This situation is posing some challenges for state policymakers. Those challenges are the more imposing because the price of several energy commodities has been deregulated, so that state policymakers often have very little control over the price of energy.

The increase in energy prices has been the largest in more than a decade. Natural gas prices serve as an example. In 1999, natural gas prices were near the end of a long-time depressed price of approximately $2.50 per Mmbtu (million British thermal units, the measurement for gas). By the end of the summer of 2000, however, they had doubled-and even tripled in some places-to about $6 per Mmbtu. In some areas with particularly high demand, such as California, the cost of natural gas increased to as much as $40 per Mmbtu. Heating oil and propane prices, which affect more specific areas of the United States, have risen along with natural gas prices. Electricity prices in much of the country also have risen.

State policymakers have some options at their disposal to address these energy price increases. Many of the options have to do with assisting state citizens or state agencies to reduce their energy bills—even if the rates cannot be reduced. Thus, many states may find they can effectively deal with exposure to high energy prices if they reduce consumption. New and commercially available technologies now allow people to reduce energy consumption without sacrificing their quality of life.

Many states have enacted incentives to help state private residents, state agencies and schools deal with high or volatile energy prices by using energy more efficiently. Broadly, these incentives fall into three categories: tax incentives, grants and loans, and bonding.

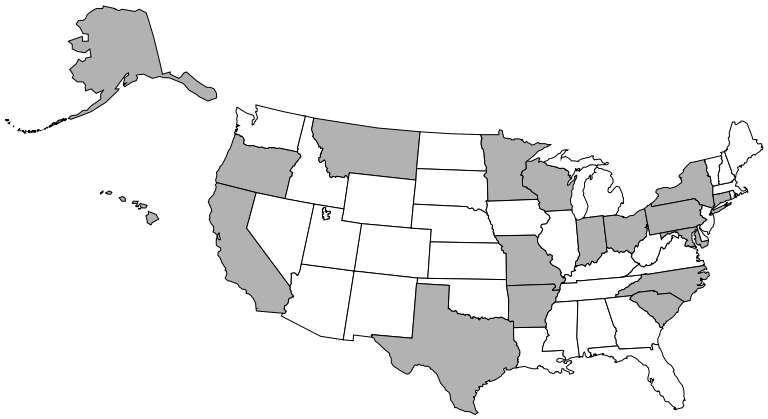
- Tax incentives, which provide exemptions from or reductions on tax obligations, are available relating to energy efficiency in seven states.

- Grants (that do not require repayment) and loans (that must be repaid) offer funding for specific purchases; they are available in 16 states.

- Bonds provide up-front capital by attracting investment in the creditworthiness of an institution; three states have established bond programs.

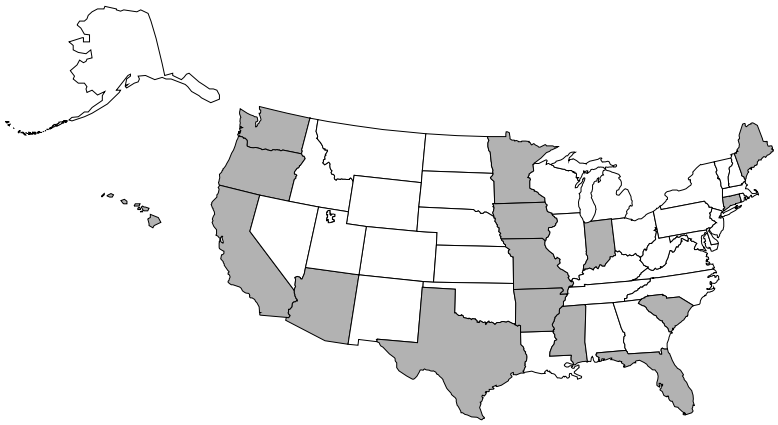
Figures 1 and 2 show the states that have enacted energy efficiency incentives for the private, state agency and school district sectors.

Figure 1. States With Energy Efficiency Incentive Programs: Private Sector



Source: NCSL, 2001.

Figure 2. States With Energy Efficiency Incentive Programs: State Agency and School District Sectors



Source: NCSL, 2001.

Tax Incentives

A common obstacle to the use of energy-saving technologies is their high up-front price. To help overcome this hurdle, several states have established tax incentives to encourage certain types of purchasing. A tax incentive can be a deduction against the income tax a person owes, or deductions from property value assessments that are used to calculate property tax, or an exemption from paying sales tax on a certain item. In most cases, the price of the energy-efficient product or service determines the amount of the incentive. Incentives of this type have been shown to enhance the likelihood that people will buy items they normally would not purchase. The National Conference of State Legislatures (NCSL) study has identified eight tax incentive programs in seven states that are designed to promote the efficient use of energy.

State: Hawaii

Citation: Hawaii Rev. Stat. §235 (12) (1990)

Eligible Sector: Private

Summary: This law provides a tax credit for the purchase of ice storage systems. The credit cannot exceed 50 percent of the total cost of the system and must be claimed against net income tax for the year in which the system was purchased and placed in use. Also, the credit can apply only to the costs of purchase, accessories and installation. Ice storage systems store ice or chilled fluids (used in air conditioning or refrigeration) in order to shift energy consumption to off-peak periods.

The NCSL study has identified nine tax incentive programs in seven states that are designed to promote the efficient use of energy.

State: Indiana

Citation: Indiana Code Ann. §6-3-2-5 (1978)

Eligible Sector: Private

Summary: The law provides an individual adjusted gross income tax deduction for purchase of or investment in energy-efficient equipment. Purchases covered under this deduction include installation of new-but not replacement-insulation, weatherstripping, double pane windows, storm doors or storm windows. Installation of these items must be for the sole purpose of stopping the flow of heat into or out of a building. The deduction may be taken for the amount of the cost (up to a maximum of $1,000). Indiana's Department of Revenue administers the tax deduction, which applies only if the residence was constructed at least three years before the taxable year for which the deduction is claimed. To obtain this deduction, the taxpayer must file with the department proof of his costs for the instal-

lation and a list of the people or corporations who supplied labor or materials for the installation. Table 1 shows use of this tax deduction for the last three tax years.

Table 1. Indiana's Tax Deduction for Energy Efficiency

Year	Number of Participants	Total Amount of Deduction
1996	37,042	$26,762,375
1997	34,987	$25,713,003
1998	34,028	$25,016,732

Source: Indiana Department of Revenue, 2000.

State: Maryland

Citation: Md. Ann. Code art. 11, §226 (1999)

Eligible Sector: Private

Maryland incentives include a suspension of the state's 5 percent sales tax on energy-saving new clothes washers, refrigerators, and air conditioners.

Summary: The state provides tax incentives for purchase of or investment in energy-efficient equipment. Incentives include a suspension of the state's 5 percent sales tax on energy-saving new clothes washers, refrigerators, and air conditioners and suspension of the sales tax on purchases of highly efficient heating and central air conditioning and fuel cells for heat and electricity generation. Most of the incentives will be available for purchases made between July 1, 2000, and Dec. 31, 2004. Production tax credits will run for 10 years. After their most beneficial effects have been realized, the incentives will expire. The Energy Star program of the U.S. Environmental Protection Agency (EPA) and U.S. Department of Energy (DOE) uses standard criteria to identify energy-efficient appliances. Only appliances bearing the Energy Star label are eligible for the sales tax incentive.

State: Montana

Citation: Mont. Code Ann. 15-32-109 (1981)

Eligible Sector: Private

Summary: The law allows a resident individual taxpayer to take as a credit against his or her tax liability a portion of the expense for a capital investment in a building for an energy conservation purpose. In the case of an expenditure for a residential building, the lesser of $150 or 5 percent will be credited. For a nonresidential building, the lesser of $300 or 5 percent of the expenditure will be credited. The credit or the sum of the credits may not exceed the taxpayer's tax liability, and credits apply only to capital investments made after Jan. 1, 1975; people and firms not primarily engaged in the provision of gas or electricity derived from fossil fuel extraction or conventional hydroelectric development; and a ceiling

of $100,000 in tax savings per year to any one person or firm. The credit must be applied in the year the expenditure is incurred, as determined by the taxpayer's accounting method.

State: New York

Citation: 2000 N.Y. Laws, Chap. 63

Eligible Sector: Private

Summary: The law provides an incentive package to developers who build environmentally sound commercial buildings and apartment buildings. Builders who meet energy goals and use environmentally preferable materials can claim against their state tax bill up to $3.75 per square foot for interior work and $7.50 per square foot for exterior work. Each building must be certified by a licensed architect or engineer, and must meet specific requirements for energy use. In new buildings, this means energy use cannot exceed 65 percent of use permitted under the New York state energy code; in rehabilitated buildings, energy use cannot exceed 75 percent.

New York law provides an incentive package to developers who build environmentally sound commercial buildings and apartment buildings.

State: Oregon

Citation: Or. Rev. Stat. §469 (160, et seq.) (1977)

Eligible Sector: Private

Summary: The statute provides a tax credit for construction or installation of alternative energy devices that also are energy-efficient appliances. The tax credit cannot exceed 25 percent of the appliance's cost. The credit will equal 40 cents per kilowatt hour saved, or the equivalent for other fuel saved, not to exceed $1,000 each tax year. The taxpayer who is allowed the credit must be the owner of the residence.

Citation: Or. Rev. Stat. §469 (185, et seq.) (1979)

Eligible Sector: Private

Summary: The statute provides a 35 percent tax credit over five years for Oregon businesses. The tax credit encourages investment in conservation (any fuel), renewable resources, recycling and alternative fuels. It also includes rental housing weatherization and a one-time cash payment option through investor-owned utilities and other Oregon businesses.

State: South Carolina

Citation: S. C. Code Ann. §12 (36-2110[B]) (1984)

Eligible Sector: Private

Summary: This law limits the sales tax for energy efficiency in manufactured homes. Sales tax due on a manufactured home is limited to $300 if the home meets energy efficiency levels. Purchases that qualify are storm or double pane glass windows and insulated or storm doors. The minimum thermal resistance rating of the insulation must be R-11 for walls, R-19 for floors and R-30 for ceilings. However, variations in the energy efficiency levels for walls, floors and ceilings are allowed, and the exemption on tax due above $300 applies if the total heat loss does not exceed that calculated using the levels of R-11 for walls, R-19 for floors and R-30 for ceilings. The source for heat loss calculation is the current edition of the American Society of Heating, Refrigerating and Air Conditioning Engineers Guide. The dealer selling the manufactured home must maintain records, on forms provided by the State Energy Office, on each manufactured home sold. The records must contain the above calculations and verify whether the manufactured home met the energy efficiency levels provided for in this subsection. These records must be maintained for three years and must be made available for inspection upon request of the Department of Consumer Affairs or the State Energy Office.

Several legislatures have established funds that can be used only to purchase approved energy-efficient products and services.

Grants and Loans

In another attempt to overcome the price barrier, several legislatures have established funds that can be used only for purchasing approved energy-efficient products and services. These funds are awarded in the form of a grant and/or loan. Grants are one-time funding packages, while loans must be repaid, with interest, over a certain time. Grants and loans may be more effective than tax incentives because participants need not pay the actual cost of the item and will receive greater reimbursement than they would with tax incentives. The NCSL study identified 27 grant and/or loan programs in 16 states.

State: Alaska

Citation: Alaska Stat. §45.89.010 et seq. (1983)

Eligible Sector: Private

Summary: The statute establishes the residential energy conservation fund within the Department of Commerce and Economic Development. Loans and grants may be used to purchase, construct and install an energy conservation improvement in residential buildings. Money in the fund may be used by the Legislature to cover administrative costs.

Loans may not exceed $5,000 or the estimated energy cost savings of the proposed project, whichever is less. Recipients must repay the loan within 10 years. Each June 30, the unspent and unobligated balance of the fund lapses into the state's general fund.

State: California

Citation: SB 5X, AB 29X, 2001

Summary: The law provides an $860 million package of energy conservation measures designed to cut California electricity use as quickly as possible. Most of the funding supports already existing state programs offering loans, grants and cash to business, agricultural, residential and low-income ratepayers. Programs include rebates on new refrigerators and air conditioners, as well as grants to place reflective surfaces on roofs, replace traffic lights with energy-efficient bulbs and weatherize homes.

California law provides $860 million for energy conservation measures designed to cut the state's electricity use as quickly as possible.

The law provides $240 million in aid for low-income households, including those earning below 150 percent of the federal poverty level (approximately $25,000 for a family of four). The California Alternate Rates for Energy Program, the existing low-income gas and electric bill subsidization program administered by the utilities, receives an additional $100 million under this law. Also, the law provides $120 million to assist households below 60 percent of the state median income ($33,000 for a family of four). These funds may be applied to residential energy efficiency measures such as insulation and weatherstripping. The California Public Utilities Commission and the California Energy Commission administer these and several other low-income energy conservation programs.

Other highlights of the legislation include:

- $50 million to augment new air conditioner and refrigerator rebate programs run by local utilities.

- $50 million in 3 percent loans to replace inefficient display refrigerators like the ones that hold drinks in grocery stores and convenience stores.

- $60 million to municipal utilities like those in Sacramento, Alameda and Palo Alto to expand their conservation efforts.

- $10 million for cities and counties to replace stoplights with energy efficient light-emitting diodes or LEDs.

- $35 million in grants to businesses that recoat the roofs of their low-story buildings with reflective surfaces.

- $35 million to create "demand responsive" buildings that use an Internet connection that can automatically adjust thermostats or lights when power alerts are called.

- $50 million for a grab bag program for other innovative energy savings.

- $10 million to retrofit existing gas agriculture pumps with alternative fuels.

A California law appropriates $50 million to the Energy Commission to implement an energy efficiency grant program.

Citation: Cal. Public Utilities Code §399.15 (West 2000) (In addition, this statute acts to add and repeal §12078 of the Government Code, to add and repeal §42301.14 of the Health and Safety Code, to add Chapter 6.5 (commencing with §25550) to Division 15 of, and to repeal §25550, §25552, and §25555 of, the Public Resources Code, and to amend §372 of Public Utilities Code, relating to energy resources.)
Eligible Sector: Private
Summary: Among other things, this law appropriates $50 million to the Energy Commission to implement an energy efficiency grant program. Grants provide assistance in purchasing price responsive heating, ventilation, air conditioning and lighting systems; urban heat island mitigation measures; pump retrofits; and other items. It also provides expansion and acceleration of programs to inspect and improve the operating efficiency of heating, ventilation and air-conditioning equipment in new and existing buildings to ensure that these systems achieve the maximum feasible cost-effective energy efficiency.

In addition, the law requires the Energy Commission to update the state's energy efficiency standards and to make recommendations regarding supply and energy conservation measures necessary to ensure adequate supply and conservation in California. The Energy Commission staff currently is preparing draft program guidelines, an overall program operation proposal, and descriptions of how the program elements will be administered (including who will be eligible for grants).

Citation: Cal. Education Code §17651 (1996)
Eligible Sector: Schools
Summary: The law allows school districts to borrow funds from federal or state-regulated financial institutions to be used for design and construction costs of making schools more energy efficient. The amount borrowed by school districts cannot exceed the amount of money that the energy measures will save. Savings and loan associations may make loans in amounts not to exceed 5 percent of their total assets. Utility companies or independent energy audit companies will conduct audits. To determine necessity and success of retrofits, schools will receive pre- and post-audits. These will be performed by investor-owned or municipal utility companies, independent energy auditors or other organizations that are recognized by federal or state-regulated financial institutions.

California law allows school districts to borrow funds for design and construction costs of making schools more energy efficient.

Citation: Cal. Public Resources Code §25410, et seq. (1979)
Eligible Sector: Schools
Summary: The act requires the commission to administer a state energy conservation assistance account to provide grants and loans to local governments and public institutions to maximize energy use savings, including, but not limited to, technical assistance, demonstrations, and identification and implementation of cost-effective energy efficiency measures and programs. The legislature also requires that the commission seek the assistance of utility companies in providing energy audits for local governments and public institutions and in publicizing to qualified entities the availability of state energy conservation assistance account funds. Interested parties must submit applications to the commission, detailing how the costs of the project will be recovered via energy savings. Once approved, the operator of each project must submit an annual report of energy saved. Principal plus interest must be repaid in not more than 22 semiannual payments.

Citation: Cal. Public Resources Code §25619 (West 2000) (In addition, this statute acts to amend §801.5 of the Civil Code, and to add and repeal §25620.10 of, the Public Resources Code, relating to energy programs.)
Eligible Sector: Private
Summary: This law establishes a grant program for purchasers of solar water heating systems, storage for grid-connected solar-electric systems, and distributed electrical generation systems. The Energy Commission currently is developing the guidelines needed to implement this program.

State: Connecticut

Citation: Conn. Gen. Stat. §8-37kk (1995)

Eligible Sector: Private

Summary: The statute requires the Department of Economic and Community Development and the Connecticut Housing Finance Authority to give preference in all its grant and loan programs to loans for energy efficiency projects.

A Connecticut statute requires the commissioner of housing to establish a program of rehabilitation and major repair.

Citation: Conn. Gen. Stat. §8-44a (1989)

Eligible Sector: Private

Summary: This statute requires the commissioner of housing to establish a program of rehabilitation and major repair, including any necessary repair, replacement or installation, to keep residences in sound, habitable and energy-efficient condition. The program applies to existing rental housing projects developed with state financial assistance. After approval by the commissioner, the state may provide assistance in the form of a grant-in-aid, loan, or combination thereof to support construction or repair. To support the fund, the state bond commission is empowered to issue bonds in one or more series, not to exceed $42 million total.

Citation: Conn. Gen. Stat. §8-44a 32-315, et seq. (1989)

Eligible Sector: Private

Summary: This program allows the commissioner of economic and community development to establish an energy conservation revolving loan account. This account will be used to make and guarantee loans or deferred loans to state residents for the purchase and installation of insulation, energy conservation materials, new furnaces and boilers, and similar equipment. Purchases must fit within guidelines created by the Office of Policy and Management. To qualify, applicants must prove that their income does not exceed 150 percent of the median area income by household size. In the case of residential structures containing fewer than four dwelling units, loans amount to at least $400 and at most $15,000 per structure. For buildings with more than four units, loans are at least $2,000 per unit, with a maximum loan of $60,000. Interest rates will reflect the recipient's income.

Loan repayments are made to the state treasurer for deposit into the loan account. Interest on the loans is paid to the general fund. The State Bond Commission will authorize the issuance of bonds up to $23,700, and the proceeds of the sale of bonds will be deposited in the Energy Conservation Loan Fund. Each electric and gas company that has at least

75,000 customers must participate in the implementation of this program, acting as loan guarantors, among other activities.

State: Indiana

Citation: Ind. Code §4-23-5.5-15 (1993)

Eligible Sector: Private, State Agencies, Schools

Summary: The law establishes an energy efficiency loan fund to assist Indiana industries and governing bodies (school corporations, libraries and political subdivisions) to undertake energy efficiency projects. The fund is administered by the Indiana Recycling and Energy Development Board. The Public Facility Energy Efficiency Program is funded through the energy efficiency loan fund for governing bodies. The program offers loans of up to $100,000 at 0 percent interest for up to 100 percent of the actual cost of energy efficiency improvements for new and existing facilities and for technical audits that identify energy efficiency improvements. The repayment term for the technical audit loan is one year. Repayment terms for the energy efficiency improvements loan are tied to the project's energy savings and must have an energy payback of less than 10 years.

Indiana law establishes an energy efficiency loan fund to assist Indiana industries and governing bodies to undertake energy efficiency projects.

State: Iowa

Citation: Iowa Code §473.20 (1986)

Eligible Sector: State Agencies, Schools

Summary: The law allows the Department of Natural Resources to make loans to the state, state agencies, political subdivisions of the state, school districts, area education agencies, community colleges, and nonprofit organizations for implementation of energy conservation measures. These measures must be identified in a comprehensive engineering analysis. Loans shall not be made for energy conservation measures that require more than an average of six to recoup the actual or projected cost of implementing the improvements; and the cost of the engineering plans and specifications. Before approving loans, the department shall require completion of an energy management plan including an energy audit and a comprehensive engineering analysis.

State: Maine

Citation: Me. Rev. Stat. tit. 30-A, §5953-C (1993)

Eligible Sector: State Agencies, Schools

Summary: The law provides loans for energy efficiency improvements in municipal and school buildings. Through the new Efficiency Partners Program, the Maine Municipal

Bond Bank will finance cost-effective improvements to heating and cooling systems, windows, insulation, lighting and equipment. Energy audits by professional engineers are required to identify cost-effective strategies. The bank will request proposals from energy service companies and vendors to provide these services. When proposals are essentially equal, the bank will choose an in-state bidder.

Loans in this program must ensure, to the greatest extent possible, that the cost savings achieved by the energy efficiency improvements are sufficient to cover the loan and earn money as soon as possible. The rate of interest charged for the loans must be below the currently available rate of interest charged on commercial loans of equivalent term and use.

State: Minnesota

Citation: Minn. Stat. §462A.05, Sub. 14b (1995)

Eligible Sector: Private

Summary: The statute empowers the Minnesota Housing Finance Agency to purchase, make or otherwise participate in the making of loans to individuals and families to assist in energy conservation rehabilitation measures for existing housing. The loan, which must be made to the owner of the home, sets no limits on the maximum incomes of the borrowers. Measures that the loans may cover include, but are not limited to, weatherstripping and caulking; chimney construction or improvement; furnace or space heater repair, cleaning or replacement; insulation; storm windows and doors; and structural or other directly related repairs essential for energy conservation. Loans are made only when the agency determines that financing under equivalent terms and conditions is not otherwise available, in whole or in part, from private lenders.

A Minnesota statute requires certain oil overcharge money to be appropriated for projects that directly serve low-income Minnesota residents.

Citation: Minn. Stat. §119A.40 (1998)

Eligible Sector: Private

Summary: This statute requires oil overcharge money that is not otherwise appropriated by law or dedicated by court order to be appropriated to the commissioner for energy conservation for projects that directly serve low-income Minnesota residents. The appropriation is available until spent. Oil overcharge money is received by the state as a result of litigation or settlements of alleged violations of federal petroleum pricing regulations. Half of this money will be used for projects that have been reviewed and recommended by the Legislative Commission on Minnesota Resources. A work plan must be prepared for each

proposed project for review by the commission, which then recommends specific projects to the Legislature.

Citation: 1993 Minn. Laws, Chap. 369, §11, Sub. 6
Eligible Sector: Private
Summary: The law reappropriates $1.6 million of the remaining funds from the Exxon oil overcharge money that was allocated to the Minnesota Housing Finance Agency to provide revolving loan funds for an energy loan program. These loans are available to owners of rental housing. The program is marketed and delivered in coordination with similar services. The remainder of the funding is available for any purpose consistent with the state's energy conservation program.

Citation: Minn. Stat. §216C.37 et seq. (1983)
Eligible Sector: Schools
Summary: The law allows the commissioner of public service to approve loans to municipalities, including school districts, to finance energy conservation investments. The loans may cover all capital expenditures that are associated with conservation measures identified in an energy project study. The cost of these measures must be recouped within 10 years.

Missouri law requires the state treasurer to establish, maintain and administer an energy set-aside program fund.

State: Mississippi

Citation: Miss. Code Ann. §57-39-201 (1984)
Eligible Sector: Schools
Summary: The law allows any public school district in the state to seek and obtain loans from the Department of Economic and Community Development for the purpose of implementing school energy conservation programs.

State: Missouri

Citation: Mo. Rev. Stat. §640.651 to §640.686, et seq. (1995)
Eligible Sector: Private
Summary: The law requires the state treasurer to establish, maintain and administer an energy set-aside program fund. This fund provides loans to small businesses, state agencies, school districts and other energy-using sectors to be used to implement energy conservation projects and reduce their overall energy costs and consumption. The fund provides low-interest loans for design, construction and renovation projects that reduce energy use and operating costs. The loans are repaid from the resulting savings.

The director of the Department of Natural Resources may secure other forms of financial assistance and establish public-private partnerships to further implementation of energy conservation projects.

Citation: Mo. Ann. Stat. §660.100 to §660.136 (Vernon 1997)
Eligible Sector: Private
Summary: The statute creates a state fund to augment the funds available for the low-income weatherization assistance program of the Department of Natural Resources and the Low-Income Home Energy Assistance Program operated by the Department of Social Services. Up to $5 million in state general revenue can be appropriated to this fund each fiscal year.

A North Carolina statute requires the state Housing Finance Agency to approve and administer energy conservation loans for lower income citizens.

State: North Carolina

Citation: N.C. Gen. Stat. §122A-5.3 (1977)
Eligible Sector: Private
Summary: The statute requires the state Housing Finance Agency to approve and administer energy conservation loans for lower income citizens. These loans cover the purchase and installation of materials that result in a significant decrease in energy consumption. Loans cannot exceed $1,200 and no person or family is entitled to more than one loan guarantee. The funds are supported by appropriations from the General Assembly.

State: Ohio

Citation: Ohio Rev. Code Ann. §4928.57 et seq. (Baldwin 1999)
Eligible Sector: Private
Summary: This law establishes an energy efficiency revolving loan fund for investment in various sectors, including low-income and moderate-income housing. The project, administered by the director of development, provides loans at below market rates for energy conversion, solid waste energy conversion, or thermal efficiency improvements. The fund receives support from the following sources: a temporary rider on retail electric service rates, revenues from loan repayments, and payments from municipal utilities. The fund's revenue target does not exceed more than $15 million in any year through 2005, and no more than $5 million in any year after 2005. The rider will expire after 10 years or when the loan fund, including interest, reaches $100 million, whichever is first.

State: Oregon

Citation: Or. Rev. Stat. §469.673 et seq. (1981)

Eligible Sector: Private

Summary: The statute provides low-interest loans for energy conservation. These loans apply to energy conservation measures, including weatherization, for single- and multi-family housing that uses fuel oil, propane, kerosene, or wood for heating. Caulking, weatherstripping and other infiltration protection materials, ceiling, wall and crawlspace insulation; timed thermostats; heating ducts; hot water pipes; dehumidifiers; storm windows; and double-glazed windows are the main weatherization changes that are financed. The dwelling owner's labor is not reimbursed.

The Oregon Energy Office administers these loans and provides a free energy audit, which is required before a loan is awarded. The Energy Office also may inspect finished projects to ensure that state funds were used properly. This incentive cannot be combined with other state incentives. Annual interest rates are not to exceed 6.5 percent annually. Due to administrative costs, the loans have very seldom been used in the residential sector, but they have been used by businesses and school districts. Oregon oil companies fund the program.

An Oregon program provides loans for conservation, renewable energy resources, alternative fuels and recycling.

Citation: Or. Rev. Stat. §470 et seq. (1980)

Eligible Sectors: Private, State Agencies, Schools

Summary: This program provides low-interest, long-term loans for conservation, renewable energy resources (including generation), alternative fuels and recycling. The loans are available to individuals, businesses, nonprofit organizations, tribes, schools, special districts, and local and state governments.

The energy loan program is self-supporting; general obligation bonds are sold to fund the loans. Borrowers repay the full cost of the loans, including program costs. The program makes only fully secured loans. Staff work with other lenders to develop multi-source financing.

To date, the energy loan program has awarded more than 500 loans totaling $285 million. Projects save or produce energy worth $41 million a year. State Energy Office staff provide technical support and review. Loans can include most costs from study through commis-

sioning. Demonstration project loans can finance more than energy measures. Highlights of this program include the following.

- A $1.8 million loan was granted for construction of a small office building in Portland that features the use of recycled and environmentally friendly materials and is at least 25 percent more energy efficient than code requires.

- A grant of $20,546 was made for a solar electric system that provides electricity for a home outside Creswell.

Portland, Ore., received a $293,719 grant to weatherize an 85-unit apartment building.

- A grant of $60,500 was made to the Prineville fire department for improvements to the station's heating and lighting systems.

- A grant of $82,000 was made to a farm in Umatilla for a low-pressure irrigation system that saves both energy and water.

- A grant of $293,719 was made for weatherizing an 85-unit apartment building in Portland.

- A grant of $1.9 million was made for a power plant that generates electricity from methane gas at a landfill in Benton County.

State: Pennsylvania

Citation: Pa. Cons. Stat. Ann. tit. 62, §6.3011 et seq. (1986)

Eligible Sector: Private

Summary: The statute establishes an energy conservation and assistance fund. Grants from this fund will supplement the Pennsylvania Supplemental Low-Income Weatherization Program and the Pennsylvania Supplemental Low-Income Energy Assistance Program. People with annual incomes at or below 150 percent of the federal poverty guidelines are eligible for a grant. The weatherization program is administered by the Department of Community Affairs and the Energy Assistance Program is administered by the Department of Public Welfare. This fund receives its money from the state's share of oil overcharge funds.

State: Rhode Island

Citation: R.I. Gen. Laws §44-38-1 (1956)

Eligible Sector: Private

Summary: The law establishes energy conservation grants for the elderly. An owner or renter—who is age 65 or over and not required to file income tax returns—of a residential dwelling is eligible for an energy conservation grant. This grant can cover insulation, storm or thermal windows and doors, caulking, weatherstripping, timed thermostats, and furnace modifications to increase fuel efficiency. Grants may be used for 50 percent of any money spent to purchase and install energy conservation items. The grant cannot exceed $200.

To apply for a grant, the qualified resident must file an informational tax return with the division of taxation. The division of taxation then will reserve a certain amount of money. To receive payment, the applicant must present a receipt within 60 days for money spent on energy conservation measures.

State: South Carolina

South Carolina allows state agencies to enter into lease purchase agreements with vendors of energy efficiency products and utility companies.

Citation: S.C. Code Ann. §48-52-650

Eligible Sectors: State Agencies, Schools

Summary: Requires the state Energy Office to establish a mechanism for a revolving loan fund for state agencies and political subdivisions, including colleges and universities, to use for energy conservation measures. The loans can be used for insulation; storm windows or doors; caulking or weatherstripping; multiglazed windows or doors; heat absorbing or heat reflective glazed and coated window or door systems, additional modifications that reduce energy consumption; energy control or recovery systems; heating, ventilating or air conditioning system modifications or replacements; replacement or modification of lighting fixtures; cogeneration systems; and any other energy conservation measures that provide long-term operating cost reductions. Repayment may be from the savings in the entity's utility budget.

Allows state agencies to enter into lease purchase agreements for up to a year with vendors of energy efficiency products and utility companies. Proposals must be procured through competitive procurement policies. A governmental unit may enter into guaranteed energy savings contracts for a duration of more than one year with vendors of guaranteed energy savings programs. No funds disclaimer clause—as provided for in Section 11-35-2030—is

required in these contracts. Repayment may be made from savings on the agency utility budget. This means that energy cost savings resulting from implementation of the energy conservation measures may be used to make payments for the energy conservation systems installed pursuant to guaranteed energy savings contracts.

State: Texas

Citation: Tex. Government Code Ann. §2305.32 et seq. (Vernon 1993)

Eligible Sectors: Private, State Agencies, Schools

Summary: The Texas LoanSTAR (Saving Taxes and Resources) Program is a state loan program for energy efficiency retrofits. Projects financed by the program include, but are not limited to, energy efficient lighting systems; high-efficiency heating, ventilation and air conditioning systems; computerized energy management control systems; boiler efficiency improvements; energy recovery systems; and building shell improvements. Eligible applicants include state agencies, institutions of higher education, school districts, small and medium sized businesses, and local governments. At least 85 percent of the loans must be awarded to state agencies, institutions of higher education, public schools or political subdivisions. The Texas State Energy Conservation Office (SECO) administers LoanSTAR. To ensure the success of each project, it is monitored at the specification and construction phases and at project completion. The program's revolving loan mechanism allows borrowers to repay loans through the stream of cost savings generated by the funded projects.

A Texas program's revolving loan mechanism allows borrowers to repay loans through the stream of cost savings generated by the funded projects.

LoanSTAR is legislatively mandated to be funded at a minimum of $95 million. To date, $123 million has been loaned under the program. SECO estimates that energy bill savings by these public institutions have saved Texas taxpayers more than $63 million since the program began. 110 loans to public institutions have generated more than $63 million in documented energy cost savings.

Bonds

This incentive allows bonds to be issued to cover the cost of efficiency upgrades. A bond is a certificate of debt issued by a government or corporation; it guarantees payment of the original investment plus interest by a specified future date. By issuing the bonds described below, funds can be obtained to support energy-efficient purchasing. Although each of the four programs identified below assigns the bond issuing authority to a different entity, the programs support the same kinds of purchasing.

State: Arkansas

Citation: Ark. Stat. Ann. §14-167-201 (1987)

Eligible Sector: Private

Summary: The law allows municipalities or counties to issue bonds to help provide financing for facilities. The money can be used to reduce energy consumption or make use of renewable energy resources. Projects may be carried out in residential, commercial, industrial, and agricultural applications. Successive bond issues may be made to finance the same energy project. These bonds are exempt from all state, county, municipal and school district taxes.

State: Missouri

Arkansas law allows municipalities or counties to issue bonds to help provide financing for facilities.

Citation: Mo. Rev. Stat. §8.8.803 (1993)

Eligible Sectors: Private, State Agencies

Summary: The law allows the Board of Public Buildings or the State Environmental Improvement and Energy Resources Authority to authorize the sale of bonds or other financing arrangements for energy efficiency projects in state buildings. The joint committee on capital improvements approves each project, along with the projected amount of the financing arrangement. In the first three years after a project's completion-if energy savings are more than required to fulfill financing obligations-the energy savings are divided equally between the General Revenue Fund and an Energy Analysis Account. In conjunction with all state agencies, this division of funds establishes the criteria by which the project's savings are determined.

The aforementioned Energy Analysis Account is established and administered by the state treasurer. The Department of Natural Resources uses funds from this account to perform energy analyses of state buildings before efficiency projects are carried out. This account also receives funds from interest and income generated by money in the account, from General Assembly appropriations, and from other sources.

Each year, the Office of Administration and the Department of Natural Resources must file a report to the governor and to the committees on energy and environment in each legislative chamber. These reports analyze the identification of, planning for and implementation of energy efficiency projects in state buildings.

Citation: Mo. Rev. Stat. §8.833 et seq. (1993)

Eligible Sectors: State Agencies, Schools

Summary: The law allows the Board of Public Buildings or the State Environmental Improvement and Energy Resources Authority to authorize the sale of bonds for energy efficiency and retrofitting projects in state buildings. Expenditure of the proceeds from the sale of the bonds also supports efficiency projects. The Office of Administration determines the scope, content and priority of each project, basing priority upon a ranking of the payback period and projected energy savings.

This statute, in contrast with Section 8.803, does not specify how savings are to be treated. However, it notes that legislative appropriations committees are to be advised of the savings for the first two years after completion.

State: Oregon

Connecticut law provides shared savings incentives to agencies that achieve savings through energy conservation.

Citation: Or. Rev. Stat. §470.050 et seq. (1979) (Also Oregon State Constitution, Article XI-J)

Sector: Private

Summary: Under the state Constitution, the state treasurer is allowed to issue general obligation bonds to support Oregon's energy loan program (Revised Statutes 470). The amendment states that " ... the credit of the State of Oregon may be loaned and indebtedness incurred in an amount not to exceed one-half of one percent of the true cash value of all the property in the state for the purpose of creating a fund to be known as the Small Scale Local Energy Project Loan Fund." Secured repayment is required, and the amendment calls for levying of *ad valorem* property taxes to pay for interest and principal of the bonds.

Shared Savings Financing

This incentive establishes various uses for the money saved as a result of installation of energy efficiency measures. The funds may be applied to an agency's budget or be used to finance future efficiency upgrades.

State: Connecticut

Citation: Conn. Gen. Stat. §16a-37c (1990)

Eligible Sector: State Agencies

Summary: The law provides shared savings incentives to agencies that achieve savings through energy conservation. Any state agency can request from the Office of Policy and Manage-

ment a statement of the agency's energy cost savings achieved through conservation measures during the preceding fiscal year. The secretary of the Office of Policy and Management then will allow a portion of the energy savings (at least 50 percent) to be retained by the agency and used for future energy costs or conservation-related activities.

State: Florida

Citation: Fla. Stat. §255.258, et seq. (1991)

Eligible Sector: State Agencies

Summary: The law states that it is Florida's policy to encourage agencies to consider financing energy conservation measures and maintenance services through the use of "shared savings financing." Shared savings finances energy conservation measures and maintenance services through a private firm that may own any purchased equipment for the duration of a contract. The contract cannot exceed 10 years without special permission. The contract specifies that the private firm will be reimbursed using the funds saved from the conservation measures. These shared savings contracts must be developed in accordance with a model contract.

Other Incentives

State: Arizona

Citation: Ariz. Rev. Stat. Ann. §15-910.02 (1999)

Eligible Sector: Schools

Summary: The law allows school district governing boards to make expenditures for employee training, energy consultants, and other contractual arrangements with energy specialists who advise the district and its employees on energy savings, conservation measures or efforts to improve energy efficiency. School districts that participate may include in their budgets an adjustment based on a reduction of excess utility costs following implementation. Before the budget adjustment, energy cost savings will be certified and verified by the governing board and an independent audit.

Arkansas law requires that utilities regulated by the Public Service Commission engage in energy conservation practices and programs.

State: Arkansas

Citation: Ark. Stat. Ann. §748 (1977)

Sector: Private

Summary: The law requires that utilities regulated by the Public Service Commission engage in energy conservation practices and programs. It authorizes the Public Service Com-

mission to require and monitor energy efficiency measures that utility companies undertake.

Citation: Ark. Stat. Ann. §962 (1997)
Eligible Sector: Schools
Summary: The act authorizes school districts to issue postdated warrants and enter into installment contracts or lease purchase agreements for the purchase of energy conservation measures. These measures must be paid for within 10 years.

State: Hawaii

Citation: Hawaii Rev. Stat. §36-41 (1946)
Eligible Sector: State Agencies

Hawaii law requires all state agencies to retrofit buildings to save energy.

Summary: The law requires all state agencies to retrofit buildings to save energy. Provides that all cost savings from retrofits shall be returned to the retrofitting agency. All agencies shall evaluate and identify for implementation energy efficiency retrofitting through performance contracting. Agencies that perform energy efficiency retrofitting may continue to receive budget appropriations for energy expenditures at an amount that will not fall below the pre-retrofitting energy budget but will rise in proportion to any increase in the agency's overall budget for the duration of the performance contract or project payment term.

State: Oregon

Citation: Or. Laws 1999, Chapter 865
Eligible Sector: Schools
Summary: Oregon's deregulation bill requires that 10 percent of public purpose funds collected go to schools for energy conservation investments. The state Office of Energy helps ensure that funds are used for effective conservation measures. Audits are required before measures are funded.

State: Washington

Citation: Wash. Rev. Code §39.35C.020 (1996)
Eligible Sectors: State Agencies, Schools
Summary: Although this legislation does not represent an incentive *per se*, it requires the state Department of General Administration to provide thorough technical assistance for state agencies and school districts as they implement and maintain mandated cost- effective conservation improvements.

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