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The Legislative History of Sustainable Energy Loan Programs in New York State

**Overview:**

In 2008, with Barack Obama’s ascension to the presidency and the subsequent passing of the stimulus bill, local energy efficiency programs increased in number across New York. These loan programs are were signs of a national dialogue that had begun to take place about framing environmentally friendly legislation or incentives as part of ‘green industry’, where investments in reducing fossil fuels could also provide jobs and save people money. Politically, the architects behind this legislation and the ‘green jobs’ movement in general sought to separate environmental regulation from the stigma that it is job-killing and means only greater taxes and government restriction.

One of the state’s first loan programs was a local-area version in Babylon, New York, passed in 2008. The program was popular and repeatedly aped at local and statewide levels over the next year. Many bills attempted to turn the program for statewide usage, such as the Sustainable Energy Loan Program (NY A 2672). However, as the economy has failed to recover, the Obama Administration has turned away from green politics, and New York State programs began to meet their own obstacles. In 2010, most of these Property Assessed Clean Energy (PACE) programs were suspended as the Federal Housing Finance Agency realized that many loans were being granted to people who would be unable to pay them back, despite the expected returns on the investment. Kevin Parker and a number of other Democratic State Senators have proposed a new bill to renew and reactivate these loan programs which have great potential to encourage sustainable energy investment.

**Major Legislation/Regulation:**

**Long Island Green Homes Program** (2008)

In August 2008, the Long Island Green Homes Program was approved and begun by the Town Board. This was a PACE financing program intended to help homeowners in Babylon upgrade the infrastructure in their own homes for greater efficiency. Homeowners would be given financing to a maximum of $12,000 for sustainability improvements after an evaluation was conducted by a licensed energy auditor. Gradual repayment would then take place through a “Benefit Assessment Payment” plan, with the idea that the final amount of repayment would actually be *less* than the energy savings of the home improvements (dsireusa.org). Therefore, homeowners would be able to actually save money while making a green investment they would have otherwise been able to finance, and the government would quickly earn back its investment while have incentivized a town-wide conversion to green energy.

The Babylon Program was soon a success. It was intelligently designed at a small scale, and was meant to be self-financing. The program was popular enough to earn a write-up in the New York Times, which quoted residents calling it “cost effective, helps our environment, and helps our economy” and “almost a godsend” (Nardiello, 2009). With a ‘human-interest’ angle, the Times presented the program as cost-saving, green, and actually recession friendly, since it encouraged spending and investment. The positive reception of the Long Island Green Homes Program would lead to its imitation in legislation elsewhere in New York State.

**Bedford Sustainable Energy Long Program** *(NYS 5672) Leibell (R)****,* Binghamton Sustainable Energy Loan Program** *(NYA 8890) Lupardo (D)*

The success of the Long Island Green Homes program would lead to a number of similar local bills being suggested by both Republicans and Democrats, some passing and some failing to pass. The Bedford Sustainable Energy Loan Program (NYS 5762), would be introduced in June by Republican Leibell and substituted for Assembly Bill A 8386. The Binghamton Sustainable Energy Loan Program (NY A 8890), introduced by Lupardo, a Democrat, would be enacted in August. Other similar bills would be introduced, and fail, in Southampton Town, Hempstead, and Oyster Bay. This influx of local-level bills would be spurred both by the positive reception in Long Island and the stimulus cash suddenly made available for green programs through grants and other means by the Obama Administration. Still, lawmakers would seek over the next year to pass a statewide framework for the creation of PACE programs in local municipalities.

**Sustainable Energy Loan Program** (*NYA 2672) Hevesi (D)*

On January 21st, 2009, Assemblyman Andrew Hevesi introduced NY A 2672 for statewide consideration. Titled the ‘Sustainable Energy Loan Program’, this bill intended to ape the Long Island Green Homes program for statewide usage, with a loan program intended to encourage homeowners to make energy-efficiency improvements in their houses. This bill would remain in the Assembly’s Committee on Energy.

**Sustainable Energy Loan Program** *(NYS 4795) Parker (D)*

In the State Senate, Kevin Parker introduced a similar bill, NY S 4795, with an identical description to Hevesi’s Assembly bill: “Creates the sustainable energy loan program to assist homeowners in the installation of distributed generation renewable energy sources or energy efficiency improvements, loan program offered through municipality, money appropriated through state grants and loans, provides definition for distributed generation renewable energy sources.” This bill would fail to pass through the Senate Committee on Local Government.

**Sustainable Energy Loan program** *(NYS 4v) Thompson (D)*

On November 10th, Senator Antoine Thompson of the Buffalo area would introduce a very similar version of the Senate bill, NY S 4 v. This bill authorized any municipal corporation (a city or town) to establish a loan program similar to that in the Babylon program, “using federal grant assistance or federal credit support available for this purpose”. Municipalities would be allowed to grant loans to any property owners within their borders who wanted to finance renewable energy improvements, with the criteria for making these loans established by local law. Particularities such as the length of loan repayment and the oversight over the installation of the systems are given vague guidelines, but also primarily left to individual municipalities to sketch out. Where the Babylon program had a hard cap of $12,000 for a loan, this bill mandated only that the amount of the loan “would not exceed the lesser of ten percent of the appraised real property value or the actual cost of installing the renewable energy system and energy efficiency improvements”. Energy auditing and a report on the feasibility of the investment would be mandated before loans were provided.

One of the factors behind the bill was that municipalities are often able to borrow money at very low rates compared to homeowners, and therefore could procure the money to lend out at rates that would untenable were someone to approach a bank for money for energy improvements.

In a week, this bill would pass through the Senate Committee on Rules and to the State Assembly, where it would be passed through the Energy Committee and substituted for A 4004a. Nine days after its formal introduction, Governor David Paterson would sign the bill into Chapter No. 497. Paterson and others framed the bill as an effort to take advantage of the green funding made newly available by the Obama Administration, and to help position New York State to compete with the others for a large chunk of this funding. “To strengthen New York’s ability to tap this federal funding, we needed to pass this legislation which will authorize municipalities to administer PACE loan programs.” Congressman Israel, likewise, stated that “We are putting New York municipalities in a position to compete for $454 million in federal stimulus funds.”

**Waste Matter with Carbon Components** *(AB 8862) Sweeney (D)*

A.B. 8862 would also be enacted in August 2009, allowing for individual towns “to create residential home energy efficiency programs funded by periodic charges or fees for the services rendered (dsireusa.org).” This bill would mirror the Babylon program more exactly than A 4004. Though it did not technically have towns providing loans, it would be essentially a loan since towns would provide the upfront costs for home improvement and then be repaid gradually over time.

The passage of these bills, and these politicians’ statements regarding them, could therefore be seen to some extent as a testament to the transformative power of ‘green’ funding being available at a federal level, since it pushes states and municipalities to compete in offering green-friendly programs. After the state law was passed, local lawmakers would now be under pressure to create their own programs as quickly as possible or risk losing available grant funding to their neighbors.

**Municipal Sustainable Energy Financing Program** *(NYS 7683) Thompson (D)*

In early 2010, Senator Thompson introduced a new bill (NYS 7863), called the Municipal Sustainable Energy Financing Program. This bill would change the municipal sustainable energy loan program that had already been passed. It would pass through the Energy and Telecommunications and Finance Committees, but stall in the Rules Committee.

**Federal Housing Finance Agency Statement (2010)***(http://www.fhfa.gov/webfiles/15884/PACESTMT7610.pdf)*

On July 6th, of 2010, despite the initial wave of green investment following the stimulus spending, the continue woeful state of the economy finally seemed to catch up with New York’s green investment programs. The Federal Housing Finance Agency (FHFA) released a statement claiming that “certain energy retrofit lending programs present significant safety and soundness concerns (FHFA.gov). State and local governments would be “urged to reconsider these programs”. The FHFA would call for a pause in all PACE programs, partially related to loans being given to people based on collateral rather than their actual ability to pay. In its excitement to reap benefits from the stimulus—enacted in response to the financial crisis caused in part by many bad loans—the state government had itself given many bad loans, and most PACE programs would be suspended after existing for a year or less.

**Sustainable Energy Loan Program** *(NYS 1093) Parker (D)*

On January 5th of this year, a new bill titled ‘Sustainable Energy Loan Program’ (NYS 1093) would be introduced by Senator Kevin Parker, with co-sponsors Klein, Montgomery, Perkins, and Sampson. Interestingly enough, considering the genesis of these programs in white, suburban Long Island, all of these sponsors are New York City dwellers and all but Klein are African-American. The bill seems intended to restart the suspended loan programs that were enacted in 2009—“To amend the general municipal law, in relation to the creation of the sustainable energy loan program to assist homeowners in the installation of distributed generation renewable energy sources or energy efficient improvements.” It seems to mandate that each municipality offer a sustainable energy loan program to qualified homeowners making renovations, while preventing these loans from being offered to new developments.

This bill is currently pending in the Senate Committee on Local Government.

**In Conclusion—A Political Perspective:**

The legislative history of New York’s Sustainable Energy Loan Programs is relatively recent, but fraught with issues. Spurred by a very small-scale, local program, Senators and Assemblyman fought over a year to see a statewide bill passed. When that bill finally was passed, it was in large part because of a great investment provided in such programs by the federal government. A year later, however, that bill would be essentially nullified by the lingering effects of the recession, as strapped municipalities would have to suspend loans after their own vetting failures. Now Senators who have made an attempt to reintroduce this bill will no longer have huge stimulus funding to provide a wind at their back. In large part, the Obama Administration seems to have stepped back from spending and from green programs in general as budget crises and fiscal restraint become the buzzwords of the next few months.

It should also be noted that while New York is a ‘blue’ state at a national level, its state government is one of the most split and contentious in America. It is amazing that any bill was passed at all in 2009, when a 50-50 split meant literally nothing was done for months, with State Senators switching sides and cutting grim deals to increase their own personal power. ‘Blue’ initiatives such as gay marriage have quickly hit a wall in Albany. Today the Democrats own a slim and essentially negligible advantage in the Senate. Still, it should also be noted that many PACE programs were introduced by Republicans in 2009. Perhaps this system, which emphasizes long-term savings and smart investment, could prove popular enough with both sides to pass through the state government once again.

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