



OLR RESEARCH REPORT

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ENERGY CONSERVATION LOAN PROGRAM AND PA 11-80

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You asked that we (1) update OLR report [2006-R-0613](#), which describes the legislative history of the Energy Conservation Loan Fund (ECLF) program and (2) discuss what changes, if any, would be needed to make the program consistent with PA 11-80, in particular the act's goal of weatherizing 80% of the state's housing units by 2030.

SUMMARY

As discussed in our earlier report, the ECLF provides low-cost loans and loan guarantees for energy efficiency improvements for single- and multi-unit residences. In addition to weatherization, the program provides loans for replacement furnaces and boilers in residential structures. In the case of electrically-heated homes built before 1980, the loans can also be used to buy another heating system or a secondary, non-electric heating system.

Since 2006, the legislature has amended the laws governing the ECLF program four times, twice in 2007, once in 2008, and once in 2011. Among other things, the recent legislation has (1) decreased interest rates on loans to moderate income households; (2) eliminated one of two largely duplicative statutes governing the program, setting loan limits at the higher of the two levels set in prior law; (3) increased the maximum loan for one-to-four unit buildings; and (4) increased the maximum income households can have to participate in the program.

Most of the ECLF loans are used for energy efficiency measures that will count towards the weatherization goal of PA 11-80. But the ECLF is a very small program, typically making 300 loans per year, and the contribution will be very modest.

LEGISLATIVE HISTORY OF THE ECLF

Up to 2006

PA 79-509 required the Department of Economic Development (now the Department of Economic and Community Development - DECD) to establish the ECLF. The original legislation authorized the fund to make low-interest loans to residents to buy and install approved insulation, energy efficiency improvements, and alternative energy devices. The program was initially funded by a bond authorization.

The legislature has amended the laws governing the program repeatedly since 1979. Among other things, it has expanded the program to cover larger buildings and increased loan limits and bond authorizations.

Subsequent Changes

2007. Since 2006, the legislature has amended the program four times. PA 07-64 decreased the interest rate on loans made to households with incomes between 115% and 150% of median area income for one-to-four unit dwellings. It allowed the program to make loans to persons living in electrically-heated dwellings built before 1980 to (1) buy and install high-efficiency secondary heating systems using a non-electric heating source, (2) convert a primary electric heating system to a high-efficiency system using another heating source, or (3) buy and install a high-efficiency combination heating and cooling system (e.g., a heat pump).

The act also eliminated one of two largely duplicative statutes governing the ECLF program, thereby resolving conflicts between the two laws and clarifying loan terms and administrative procedures. As described in Table 1, the act set the loan limits at the higher of the two levels allowed under prior law. It incorporated the stricter electric heating conversion loan requirements of the repealed statute into the one it retains. Finally, it eliminated the duplicative energy conservation revolving loan account.

Table 1: ECLF Loan Limits Under PA 07-64

Limits	Prior Laws		Act
	§ 16a-40b	§ 32-317	
Loan for 1-4 unit buildings	\$6,000	\$15,000	\$15,000
Per-unit loan for building with more than 4 units	1,000	2,000	2,000
Overall loan for building with more than 4 units	30,000	60,000	60,000
Per-unit loan guarantee for building with more than 4 units but not more than 30 units	1,500	3,000	3,000

P.A. 07-242 increased the maximum loan limit for one-to-four unit buildings from \$15,000 to \$25,000.

2008. PA 08-2, August Special Session, increased the maximum household income for participating in the program from 150% to 200% of the median area income, adjusted for the household's size. It set a 0% interest rate for loans for energy efficient furnaces or boilers. As under prior law, the State Bond Commission sets the interest rates on ECLF loans for other purposes.

The act appropriated \$2 million from the surplus funds in FY 09 to DECD to provide additional loans under the program. It allowed DECD to spend up to \$250,000 of the appropriation for administrative expenses and promotion of the program. The act also made minor related changes.

2011. PA 11-40 required all principal payments for all loans made from the ECLF to go directly back into the fund. Under prior law, the payments were first deposited in the Housing Repayment and Revolving Loan Fund and then transferred into the ECLF.

PA 11-80 AND THE ECLF

The law requires electric companies and the Energy Conservation Management Board to develop a comprehensive plan to implement energy conservation initiatives. PA 11-80 requires that this plan include steps to achieve a goal of weatherizing 80% of the state's housing units by 2030. It contains a number of other energy efficiency provisions.

The law does not define “weatherization” but it is commonly understood to include the installation of insulation and replacement windows and other measures that improve the energy efficiency of buildings. The loans the ECLF makes for such measures would count towards the act’s weatherization goal. But the contribution is very limited due to funding constraints. Assuming no new housing is built between now and 2030, the goal established by the act would require that more than 900,000 housing units in the state be weatherized. In contrast, ECLF typically provides about 300 loans per year, involving about 375 units. The fund’s current balance is approximately \$895,000. The Connecticut Housing Investment Fund, which administers ECLF for DECD, is seeking additional money for the fund.

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