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## 2011 Innovations Awards Application

**DEADLINE: MARCH 28, 2011**

ID # (assigned by CSG): 2011- \_\_\_\_\_

**Please provide the following information, adding space as necessary:**

State: Kentucky

Assign Program Category (applicant): Energy

1. Program Name: The Green Bank of Kentucky
2. Administering Agency: The Finance and Administration Cabinet, Commonwealth of Kentucky.
3. Contact Person: Paul Kaplan, Director, Green Bank of Kentucky.
4. Address: Room 383 Capitol Annex. Frankfort Kentucky 40601.
5. Telephone Number: 502- 564-0789.
6. FAX Number: 502-564-6785.
7. E-mail Address: [Paul.Kaplan@ky.gov](mailto:Paul.Kaplan@ky.gov)
8. Web site Address: [www.GreenBank.ky.gov](http://www.GreenBank.ky.gov)
9. Please provide a two-sentence description of the program.  
The Green Bank of Kentucky is the nation's first financial institution chartered to promote energy efficiency in state buildings through competition for low interest loans used exclusively for retrofits of public buildings that reduce energy usage, reduce operating and maintenance costs, save taxpayer dollars, promote economic development and create jobs. Green Bank loans pay for the up-front costs of energy-savings projects and the guaranteed savings from those projects repay the Green Bank's revolving loan funds.
10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on March 28, 2011 to be considered.  
The Green Bank of Kentucky was chartered by the Finance and Administration Cabinet in July 2009.

11. Why was the program created? What problem[s] or issue[s] was it designed to address?  
In 2008, the dire condition of the financial markets prevented nearly all state agencies from obtaining funds for energy-savings projects. The Green Bank was chartered to fill that need and help jump start that segment of the lending market. The Green Bank of Kentucky provides publicly-owned facilities the opportunity to reduce energy consumption by employing advanced technologies to improve energy efficiency without spending any valuable state tax dollars. The Green Bank was also created to help state agencies meet Governor Beshear's goal of reducing energy usage in state buildings by 15 percent in 2015 and by 25 percent in 2025 as outlined in the state's comprehensive energy plan, "Intelligent Energy Choices for Kentucky's Future."

12. Describe the specific activities and operations of the program in chronological order.  
**July 2009.** The Green Bank of Kentucky was chartered and established 3 revolving loan funds: The **eSelf Revolving Loan Program** which allows state agencies to self-perform energy efficiency projects costing between \$50,000 and \$225,000. The goal of the eSELF program is a 20 percent reduction in energy consumption. State buildings with high energy costs, stable programming and for which no major capital improvement or renovations are planned generally make good candidates for the eSelf program; **The Hybrid Revolving Loan Program** allows funding for energy projects in state facilities that cost between \$50,000 and \$600,000. An energy audit or engineering analysis is required along with a completed design and development package. State agencies procure labor and materials; and **The ESPC Revolving Loan Program** which funds energy efficiency projects typically costing more than \$600,000. These projects use investment-grade energy audits to provide a detailed cost benefit analysis of energy efficiency investments. These projects also use a life cycle energy cost analysis. In addition a Green Bank website was created along with policies and procedures. A mission statement, loan application, lending standards and technical review criteria were also implemented. The Green Bank also adopted standards for monitoring loans including energy savings and financial performance. Lastly, a Loan Committee was created for the purpose of reviewing and approving loan applications.

**October 2009.** The Green Bank received its first loan application from the Kentucky Department of Education. That same month the Loan Committee approved a \$1,295,267.00 loan to the Kentucky School for the Deaf, the Kentucky School for the Blind and the Kentucky Future Farmers of America for energy efficient retrofits of those facilities. The Green Bank Loan enabled the Kentucky Department of Education to realize annual savings of almost \$140,000 by reducing energy consumption, reducing utility costs and cutting operating and maintenance fees. In addition, the three learning facilities tallied an annual combined reduction of 1,625 Kwh and carbon emissions equivalent to over 1200 tons of CO2.

**August 2009 – December 2010.** The Green Bank closed energy-saving loans totaling \$6,956,692.11. These loans retrofitted state buildings across Kentucky. For example one Green Bank loan went to the Kentucky Department of Veterans Affairs to make energy efficient improvements in three nursing homes that serve Kentucky veterans. Examples of work includes upgrades to lighting and HVAC systems, building automation system upgrades, adding water conservation fixtures, an ozone laundry conversion and installing an energy recovery system. This Green Bank loan will help the Commonwealth save or avoid costs of \$268,000 annually.

**Currently.** The Green Bank is processing the following loan applications:

1. Loan Number 10-05, **Spindletop Administration Building**, Green Bank Hybrid Loan Application, currently under development with an estimated loan amount of approximately \$400,000.
2. Loan Number 10-07, **Department of Corrections**. Green Bank ESPC Loan Application, currently under development with an estimated loan amount of approximately \$8 to \$10 million.
3. Loan Number 10-09, Cabinet for Health and Family Services **Outwood Hospital**. Green Bank ESPC Loan Application currently under development.
4. Loan Number 10- 08, Cabinet for Health and Family Services **Central State Hospital**. Green Bank Hybrid Loan Application under development with an estimated loan amount of \$300,000.00.
5. Loan Number 10-11, Cabinet for Health and Family Services **Western State Hospital**. Green Bank Hybrid Loan Application under development with an estimated loan amount of \$450,000.00.
6. Loan Number 10-10, Cabinet for Health and Family Services **Hazelwood Center**. Green Bank Hybrid Loan Application under development with an estimated loan amount of \$500,000.00.
7. Loan Number 11-01, **Parks and Recreation**. Green Bank ESPC Loan Application under development.
8. Loan Number 11-02, **Administrative Office of the Court**, Green Bank Hybrid Loan Application under development.
9. Loan Number 11-03, **McDowell Center**, Green Bank ESPC Loan Application with an estimated loan amount of \$250,000.00.
13. Why is the program a new and creative approach or method?

Recognized nationally, the Green Bank of Kentucky is a unique and innovative approach for funding energy-saving projects in state buildings that not only requires no upfront tax dollars, but also ultimately results in the savings of taxpayer dollars. Even in a time when Kentucky, like most states, is facing austere budgetary restrictions, the Green Bank allows our government agencies to remain committed to reducing energy use in public facilities.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

Green Bank startup costs included:

- Existing legal, technical, managerial and financial resources were used on an as needed basis.
- SEP grant of American Recovery and Reinvestment Act (ARRA) funds for Green Bank principal \$14,170,579.
- SEP grant of ARRA funds for startup staffing \$81,705:
  - Salary of an Administrative Specialist \$49,000.
  - Benefits \$14,700.
  - Office space 1250 sq. feet at \$13.38 a ft per year \$16,725.
  - Computer, email, telephones, etc \$780.

- Office supplies \$500.

15. What are the program's annual operational costs?

Green Bank annual operational costs include:

- Existing legal, technical, managerial and financial resources used on an as needed basis.
- SEP grant of ARRA funds for staffing \$81,705:
  - Salary of an Administrative Specialist \$49,000.
  - Benefits \$14,700.
  - Office space 1250 sq. feet at \$13.38 a ft per year \$16,725.
  - Computer, email, telephones, etc \$780.
  - Office supplies \$500.

16. How is the program funded?

The Green Bank is funded primarily through a SEP grant of ARRA funds.

17. Did this program require the passage of legislation, executive order or regulations?

No, the Green Bank of Kentucky was implemented through an Administrative Order signed by the Secretary of the Finance and Administration Cabinet.

18. What equipment, technology and software are used to operate and administer this program?

No special equipment, technology or software is being used by the Green Bank. Microsoft Office Suite is the primary software used along with GotSource for record retention.

19. To the best of your knowledge, did this program originate in your state?

Yes.

20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

Twelve states have contacted our office to discuss starting similar programs. Several states including Wisconsin and Alaska have setup a bond pool to retrofit state buildings.

21. Has the program been fully implemented? If NO, what actions remain to be taken?

Yes.

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

The Green Bank program has been very effective and successful in providing an efficient mechanism for funding energy savings projects. For instance the *State and Local Energy Report* ranked Kentucky's Green Bank third on its list of Top 10 ARRA Funded State Energy Projects. The Green Bank's effectiveness is also reflected in the large number of pending loan applications. State agencies have been able to fund energy savings projects, reduce their energy usage, save money and promote economic development despite the unsettled financial markets.

23. How has the program grown and/or changed since its inception?

The Green Bank has grown exponentially during the last 18 months and continued growth is expected.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

Initial funding may be an obstacle for other states in their efforts to adopt a similar program. The job of making public facilities more energy efficient requires dependable and adequate sources of capital. Capitalization of revolving loans through state Green Banks will provide that dependable source of funding.

CSG reserves the right to use or publish in other CSG products the information provided in this application. If your agency objects to this policy, please advise us in a separate attachment.



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## 2011 Innovations Awards Application Program Categories and Subcategories

Use these as guidelines to determine the appropriate Program Category for your state's submission and list that program category on page one of this application. Choose only one.

### *Infrastructure and Economic Development*

- Business/Commerce
- Economic Development
- Transportation

### *Government Operations and Technology*

- Administration
- Elections
- Information Systems
- Public Information
- Revenue
- Telecommunications

### *Health & Human Services*

- Aging
- Children & Families
- Health Services
- Housing
- Human Services

### *Human Resources/Education*

- Education

- Labor
- Management
- Personnel
- Training and Development
- Workforce Development

### *Natural Resources*

- Agriculture
- Energy
- Environment
- Environmental Protection
- Natural Resources
- Parks & Recreation
- Water Resources

### *Public Safety/Corrections*

- Corrections
- Courts
- Criminal Justice
- Drugs
- Emergency Management
- Public Safety

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**This application is also available at [www.csg.org](http://www.csg.org).**