

**MUNICIPAL ENERGY REVOLVING FUND – 2022 Acts and Resolves No. 172. § 7**

On or before January 15, 2023, the Commissioner of Buildings and General Services shall submit a recommendation to the House Committee on Ways and Means and the Senate Committee on Finance for a fee amount to be charged to pay for administrative costs associated with the Municipal Energy Revolving Fund.

**Fee Recommendation- Municipal Energy Revolving Fund**

As passed in 2022 Acts and Resolves No. 172, “An act relating to municipal energy resilience initiatives”, BGS shall create and manage a Municipal Energy Loan Program financed by a Municipal Energy Revolving Fund (MERF). This revolving loan fund follows those previously established for the State Energy Management Program’s State Energy Revolving Fund (SERF) and the State Resource Management Revolving Fund (SRMRF).

Of interest in structuring this revolving loan fund is the fee assessed by SRMRF, which is a 0.5% administrative fee. Historically, SRMRF has been better suited to quickly finance and realize energy projects in State buildings, and as such BGS proposes looking primarily to SRMRF to inform the municipal revolving loan fund.

BGS recommends implementing a similar 0.5% administrative fee for MERF to cover costs incurred by BGS to manage the fund. Whereas SRMRF assesses its administrative fee once at the beginning to the total cost of the loan in question, for MERF, BGS recommends a 0.5% administrative fee on the annual outstanding loan balance be charged on the first day of the state fiscal year, July 1. This 0.5% annual administrative fee functions like an interest rate, however BGS proposes continuing to use the term administrative fee.

The below market rate will incentivize municipalities to participate in the MERF and will make the Program more competitive when compared to other external funding opportunities for municipalities.

The initial proposed fee of 0.5% is viable despite the decreased revenue when compared to SERF, which imposes a 2% annual interest rate on loans, because Act 172 allocated an additional \$1M to BGS for administrative costs. The administrative cost allocation is limited-service monies and therefore the administrative fee may need to be reevaluated in the future when the \$1M has been expended.

