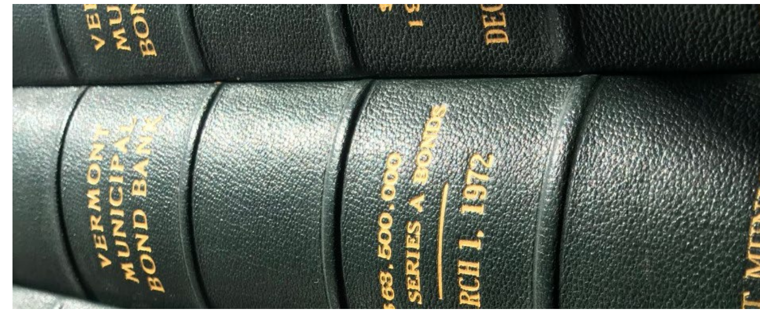
Vermont Bond Bank



OVERVIEW OF PROPOSED BOND BANK LEGISLATIVE CHANGES

Presentation to General Assembly

Summary of Proposed Change to Statute

- In response to historic opportunity to bring federal dollars to Vermont, the Bond Bank is proposing to amend statute to allow all governmental unit loan types otherwise allowed in statute to be purchased by the Bond Bank
- This will allow the Bond Bank to ensure that low-cost Inflation Reduction Act (IRA) or other federal dollars can be deployed through the most feasible loan structure demanded by borrowers.
- This change will:
    - ensure Vermont's competitiveness for national dollars while obviating the need for new legislative structures to facilitate green lending;
    - benefit taxpayers by reducing costs of Vermont's significant municipal and school district facility upgrade needs; and,
    - create a standardized governmental green lending product to ease barriers of use for Vermont governmental units while homogenizing credit for private sector participation.

Context for Change

- Historic opportunity to establish new sources for low-cost green lending as a result of the Greenhouse Gas Reduction Fund (GHGRF) within the IRA
- Bond Bank is working closely with VEDA and VHFA through the Public Finance Climate Collaborative to focus on *using the long lending histories of existing state lending instrumentalities to secure funding from GHGRF*
- Subject to availability of favorable terms, improvements such as heat pumps, small solar installations, and other greenhouse reduction technologies are expected to be financed through the “alternative financing of assets” provision of the municipal indebtedness chapter in statute, which allows these improvements to be financed with only governing body approval subject to annual appropriation
- Bond Bank plans to *leverage dollars from IRA with private capital* to create a lending facility that will allow more emissions reductions within large planned projects while also stimulating emissions reductions projects that would not otherwise occur
- The difficulty of small-scale energy efficiency reductions projects is evidence by the need for Act 172 (2022) that allocated $45 million to grants and the municipal energy revolving fund (MERF) to be administered by the state, although this funding is not available to school districts
    - Vermont School Business Officer’s Association (VASBO), Vermont Superintendents Association (VSA), Vermont Public Power Supply Authority (VPPSA), and Vermont League of Cities and Towns (VLCT) are all supportive of the proposed changes
- VPPSA is also expected to use favorable dollars through the GHGRF
- *Bond Bank’s statute does not currently allow loans under the “alternative financing of assets” provision (this flexibility was added to municipal indebtedness statute in 2007) nor can it lend to VPPSA directly. Bond Bank seeking the statutory change for the purpose of deploying federally subsidized loan dollars*

Historic Opportunity for Green Lending

Inflation Reduction Act created a $27 billion competitive program to help establish new greenhouse gas reduction lending

$27 Billion Total in 2 Buckets within the Greenhouse Gas Reduction Fund (GHGRF)

$7B for states, municipalities, tribal governments, and other eligible recipients for grants, loans, or other assistance for low-income and disadvantaged communities to employ zero-emission technologies. Funding will prioritize delivering financial and technical assistance to projects that deploy residential and community solar, associated storage technologies, and related upgrades

$20B in competitive grants to eligible recipients for greenhouse gas reduction investments with $8B specifically for low income and disadvantaged communities. Intended to be leveraged with private sector capital

Eligible recipients include nonprofit non depository institutions with purpose to invest or finance projects. Expectation is that EPA will award $20 billion to 2 to 15 national, regional, and/or sectorial organizations that will then distribute to final recipients. EPA indicated up to 60 entities will receive the $7 billion that may go to state designated entities similar to the state revolving loan fund program

Timeline

- Signed into law August 16
- Final rule and grantmaking expected in summer 2023
- Funding to be committed in 2 years

VT Public Financing Climate Collaborative

- Existing public lenders positioned to help facilitate awards of GHGRF dollars or other similar federal funds while **eliminating need to stand up new public lending entities**
- State lending instrumentalities cover governmental, commercial, and residential sectors with shared structure and emphasis on collaboration
- Existing experience in both clean energy related projects and **leveraging private capital** as any award would only serve as seed funding for related effort given anticipated national oversubscription for GHGRF

VERMONT PUBLIC FINANCING CLIMATE COLLABORATIVE

The Vermont Public Finance Climate Collaborative (the "Collaborative") is a joint effort by the financing instrumentalities of the State of Vermont representing municipal, commercial, and residential sectors to create a collective home for climate financing initiatives in the state.

In forming the Collaborative, the members bring a combined $9 billion of financing experience to the deployment of existing and new financial resources to combat Climate Change. The Collaborative also represents a uniquely Vermont approach to climate financing by using what works and eliminating the need for new financing entities.

https://www.vtbondbank.org/resource/vermont-public-financing-climate-collaborative

The Opportunity for VT Governmental Sector

- School districts own and operate 384 school buildings (18 million square feet) that are 61 years old on average
- Municipalities own and operate over 2,000 buildings around the state with varying ages and conditions

Large Projects

- Low-cost dollars expected to increase debt capacity and as a result, allow more project cost to be absorbed in budgets
- Likely to incorporate qualifying greenhouse gas reduction improvements into already planned projects such as substantial school renovation or new construction
- Governmental units likely to pursue full bond votes to finance both qualifying improvements and larger project

Small Projects

- Low-cost dollars expected to stimulate efficiency projects that would not otherwise occur
- Projects may be undertaken to reduce operating costs and economics will be improved with below market rates
- Improvements likely to include personal property, fixtures, and equipment and may be “self-liquidating” through cost reductions
- Subject to availability of advantageous capital, governmental units will take the path of least resistance to loan approval through “alternative financing of assets” provision in statute

Vermont
Bond Bank