

USING LOANS TO ASSIST WA RESIDENTS PURCHASE CLEAN WOOD OR GAS STOVES

Recommendation:

- Establish a low-interest loan program

Potential Benefits:

- Reduces cash outlay needed
- Spreads cost over time
- A purchase could be more like many retail promotions ... LOW DOWN, LOW PAYMENTS, NO PAYMENT FOR 6 MONTHS
- This might improve participation in program
- Also, landlords might be made eligible for a loan. With current programs, there's concern about granting money to a profit-making enterprise.
- The public funds would ultimately be paid back by purchasers, it's a loan in that sense also.

How to create it:

- ECY would have to secure revenues to create a fund from which loans could be made.
- This could be from tax revenues of some sort or, possibly, from bonds.
- A revolving loan fund would likely be created from tax revenues so that the money would not have to be paid back and could be re-loaned over and over. Concerns with accessing tax revenue to create a loan fund include:
 - There's no clearly obvious source of tax revenues to seek. Taxes that are most directly related to wood smoke include the ones we've talked about:
 - Hazardous waste fees (Model Toxic Control Act funds)
 - Real Estate Excise Tax
 - Property Tax
 - It's a higher priority to seek funds for grant programs that would offer direct subsidies, a loan program creates a bigger demand for funds.
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- A fund could possibly be created from bond revenue. Since there will be scheduled repayments, the bond interest and principle could be repaid from the program itself. Taxes would not be needed to repay bond interest or principle (except perhaps to cover defaults). Concerns with bond funding are:
 - Legislation to authorize bonds requires a 60% vote
 - Uses of tax-exempt bonds is very restricted, these would have to be taxable bonds, so the interest rate to be paid would be higher.
 - Also, the repayment mechanism would be scrutinized by investment banks (who would ultimately sell the bonds) and rates would be higher the more risk they assign.
 - Given these factors, the interest rate needed might not be that favorable.
 - The main benefit would be, it's a very different source of funds so, demands on tax revenue for a subsidy program would be less.

Discussion topics:

1. How much do we think loan funding would help program participation?
2. Would rates need to be very low, e.g. 4% or would a 9% rate still be useful?
3. If funded, is there an efficient way to administer loans?
4. Would the administrative cost be too high?