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"Green Loan" Fund Proposal

Introduction:

The University of Maine, like all major institutions, operates with hefty utility and waste bills. There are many people at the University who are willing to work towards a sustainable institution but do not have adequate funding. The University of Maine could, through the use of a "Green Loan" fund, emerge as a sustainability leader for educational institutions.

Precedent:
Harvard, in 2000, created a revolving loan fund with $3 million. These funds finance zero interest loans to departments that wish to decrease their environmental footprint. Harvard stipulated that projects must be paid back in five years or less. Their website cites the following results:

Environmental Benefits	Financial Benefits
8.8 million lbs annual reduction of CO 2	
35,000 lbs annual reduction of SO 2	Over five years, the RCIP loaned $2.6 million
19,000 lbs annual reduction of NO x	Projects yielded a 34% return on investment
2100 lbs annual reduction of PM 10	First-year annual savings estimated at $880,000
(Particulate Matter)	Five-year savings estimated at $4.5 million
47 million gallons annual reduction of water	

The incredible success of this fund allowed President Summers to justify doubling the pool. As of 2004, Harvard's green loan fund has $6,000,000.

Overview:
This proposal seeks to outline a mechanism for a "Green Loan" fund at the University of Maine. The University of Maine Foundation would provide the principal payments for projects, which would be guaranteed by the University via the Vice-President for Finance and Administration. The University would repay the principal through calculated project savings. Interest payments would be paid by Student Government, Inc. for the life of the loans (up to five years). Project proposals and funds would be managed by SPIFFY.

Foundation:
The University of Maine, because of its constant budget crisis, does not have the upfront capital to establish a "Green Loan" fund which would enable the lowering of operating costs across the campus.

UMaine, does however, have a financial infrastructure in place that would allow for a similar, if not improved, fund to exist. SPIFFY, or the Student Portfolio Investment Fund,

acts as a trusted money manager for $1.2 million in University of Maine Foundation monies. The existence of SPIFFY demonstrates a willingness, and priority towards student opportunity. These opportunities could be greatly expanded.

Potential Stake Holders:

SPIFFY:
This group of students is a ready vehicle for the management and pursuit of green loans. The organization has continued to demonstrate its competence and has become an immense tool for extracurricular education.

Student Government, Inc.:
Student Government maintains a renewable source of income through its $35 student activity fee, amassing an operating budget of around $500,000. Student Government also maintains the value of a mandate from the student body. It has been operating a sound financial department for years. It is primarily interested in funding student organizations and is charged with, "providing social, cultural and educational programs and activities to expand the scope of the educational experience." Financing this initiative would certainly fulfill this charge by bringing sustainability education to a large student population and providing real opportunities for students to impact the campus. This would also provide Student Government with the ability to market itself as a key presence on campus. The required interest payments would be constructed in legal contracts to avoid damage from the changing priorities of different political leaders throughout the project's life.

Engineering Students:
This project would provide for real world applications of the training our engineering students receive. Engineering students, with faculty supervision, would help generate the project proposal by valuing impacts. Students would also verify numbers which have been presented to SPIFFY to minimize the risk of a losing project.

Vice-President of Finance and Administration, Janet Waldron:
The primary focus of the office of Finance and Administration is to decrease expenses and increase revenues. VP Waldron has already expressed interest in a "Green Loan" fund of some sort. The implementation of this fund would allow for a drastically reduced environmental impact, as well as a reduced utility bill. The office of Finance and Administration would guarantee the repayment of the principal to the foundation. VP Waldron has also suggested that on the sixth year, the project creator receive that year's savings as an incentive.

University Departments:
Because of several seasons of budget cuts, departments have miniscule operating budgets. Departments do not have the necessary upfront funding to perform the most basic of improvements to their infrastructure. This cycle perpetuates as operating budgets shrink due to increasing utility bills. If a project could be completed at no upfront cost to the department, with no residual loan interest, these types of projects would become affordable. Repayment of the principal would be made from savings generated by the

project and the department would then maintain the savings after the principal was repaid. If this system was in place, departments would vigorously pursue these projects. Reductions in utility and waste could potentially fund entire faculty positions.

Mechanics:

To explain the dynamics, an example of low flow shower heads will be examined. Property Management for Auxiliary Services is charged with operating the physical structure of Residence Halls and Dining Facilities. They have recently monitored water pressure in their Residence Hall showers. The current estimate is that an installation of low-flow shower heads will save $75 -$100 a day per dorm. There are 18 dorms on campus, it is easy to see how quickly those savings become exponential. Property management for Auxiliary Services does not, however have the up-front capital to install $23 low flow shower heads.

Property Management for Auxiliary Services would then approach SPIFFY for the principal required to install the shower heads. They would have a well drafted proposal, citing a payback of less than five years. SPIFFY verifies the proposal (Here is a great opportunity for student Engineers and Accountants to play a role.) Upon approving the proposal, SPIFFY approaches Student Government for an interest payment. Student Government reviews the project sees its merit and approves the payment of interest from SG Inc. to Spiffy at the rate of 1% above the going rate of five year federal treasury bonds. This enables the political science and business policy majors to become involved, as well as the finance majors working for Student Government. It also provides a well paying, no risk loan prospect for SPIFFY. Currently, that rate would be around 3%, meaning that Student Government could allocate $30,000 to leverage the release of $1 million in Green Loans.

The SAS then receives a check through SPIFFY, or bills SPIFFY for the principal amount and installs the shower heads. The water savings, as calculated, are repaid to SPIFFY coupled with an interest payment from Student Government, Inc.

- Projects must demonstrate a concrete savings for a cost recovery of five years
- Departments receive no interest loans
- Interest is paid either by Student Government, Inc. or jointly with the Office of Finance and Administration

Key areas of student opportunity:

- Discussion on feasibility of financing various projects
- Actual work in verifying the credibility of proposals
- Management of project financing
- Grant Writing to help Departments prepare proposals

Areas of Concern:

- How will projects be verified in a way that assures security
- How do you guarantee departments will repay the principal
- Can the funds be used for other projects which cut operating expenses but aren't "Green"
- What happens if no savings actually occur