

Appropriations Committee did a good job in identifying problems and I want to commend Senator Warner and the members. I think your report and your recommendations are good as far as they go and target where some of the problems I see with this proposal are. One of those which you emphasize in this recommendation is looking more at need, what are the needs of the individuals involved. The big bulk of the twenty some million dollars involved here goes to a demonstration loan program. At this point, we don't know very much about where that money goes to other than 60 percent of it goes to residential, that's \$6 million; 1.5 million to small business; 1.5 million to local government, and then farmers and ranchers get \$1 million. And the real question is exactly how are we going to allocate, how is it going to be distributed? Senator Schmit and I kind of had a conversation about the ranking and I'm just recalling that conversation. But, in any event, where does the money go? Who gets the money? Obviously, there is much more need out there than the money is available and I think trying to base some need factor into is important. I would also suggest there are other considerations on this loan program. The concept is this. You have 10 million bucks out there and local lenders come back and they can get into the pool and they say, we're going to loan \$100,000 to Senator Schmit and his farm for some sort of...let's say \$10,000 is more likely, to put in some sort of energy efficiency project. They go to the state and the state buys \$5,000 of that loan. If the loan is at 12 percent or whatever they might be loaning at, then essentially you cut the loan rate down in half because half of the loan is bought by the state. So you're trying to cut the loan rate down in half, so it's a lower interest loan. But the questions I have, for instance, is where do you set that original level and figure? For instance, what if that bank says, well, I know the state will pick up half of this so I'm going to charge you 14 percent, not 12 like we normally would, and so we'll end up getting a little better deal out of it but you'll end up still only paying 7 percent. It seems to me there has got to be some consideration of how this is handled, the mechanics of the interest rate charged, how the money is disbursed, where it goes to, the targeting involved. I think it's a wonderful effort, frankly, in many ways and could serve a very useful purpose. But, just for the record, I raise the concern of how it's going to be disbursed, how we're going to be sure we're getting our money's worth and not having some manipulation occur, and, in addition, you know, just how we set priorities and where that money goes. Again, that's the bulk of the money, \$10 million out of the twenty some million goes to