

**SENATE  
STATE OF MINNESOTA  
NINETY-FOURTH SESSION**

**S.F. No. 4142**

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DATE  
03/04/2026

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Introduction and first reading  
Referred to Energy, Utilities, Environment, and Climate

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to commerce; providing additional financing mechanisms to support  
1.3 Minnesota Climate Innovation Financing Authority activities; amending Minnesota  
1.4 Statutes 2024, section 216C.441, subdivisions 3, 4.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2024, section 216C.441, subdivision 3, is amended to read:

1.7 Subd. 3. **General powers.** (a) For the purpose of exercising the specific powers granted  
1.8 in this section, the authority has the general powers granted in this subdivision.

1.9 (b) The authority may:

1.10 (1) hire an executive director and staff to conduct the authority's operations;

1.11 (2) sue and be sued;

1.12 (3) have a seal and alter the seal;

1.13 (4) acquire, hold, lease, manage, and dispose of real or personal property for the  
1.14 authority's corporate purposes;

1.15 (5) enter into agreements, including cooperative financing agreements, contracts, or  
1.16 other transactions, with a Tribal government, any federal or state agency, county, local unit  
1.17 of government, regional development commission, person, domestic or foreign partnership,  
1.18 corporation, association, or organization;

1.19 (6) acquire by purchase real property, or an interest therein, in the authority's own name  
1.20 where acquisition is necessary or appropriate;

1.21 (7) provide general technical and consultative services related to the authority's purpose;

2.1 (8) promote research and development in matters related to the authority's purpose;

2.2 (9) conduct market analysis to determine where the market is underserved;

2.3 (10) analyze greenhouse gas emissions reduction project financing needs in the state  
2.4 and recommend measures to alleviate any shortage of financing capacity;

2.5 (11) contract with any governmental or private agency or organization, legal counsel,  
2.6 financial advisor, investment banker, or others to assist in the exercise of the authority's  
2.7 powers;

2.8 (12) borrow money or other property for any purpose pertaining to the authority's  
2.9 activities;

2.10 ~~(12)~~ (13) enter into agreements with qualified lenders or others insuring or guaranteeing  
2.11 to the state the payment of qualified loans or other financing instruments; ~~and~~

2.12 (14) sell at a public or private sale a note, mortgage, or other interest or obligation that  
2.13 evidences or secures a loan; and

2.14 ~~(13)~~ (15) accept on behalf of the state any gift, grant, or interest in money or personal  
2.15 property tendered to the state for any purpose pertaining to the authority's activities.

2.16 Sec. 2. Minnesota Statutes 2024, section 216C.441, subdivision 4, is amended to read:

2.17 Subd. 4. **Authority duties.** (a) The authority must:

2.18 (1) serve as a financial resource to reduce the upfront and total costs of implementing  
2.19 qualified projects;

2.20 (2) ensure that all financed projects reduce greenhouse gas emissions;

2.21 (3) ensure that financing terms and conditions offered are well-suited to qualified projects;

2.22 (4) strategically prioritize the use of the authority's funds to leverage private investment  
2.23 in qualified projects, with the aim of achieving a high ratio of private to public money  
2.24 invested through funding mechanisms that support, enhance, and complement private lending  
2.25 and investment;

2.26 (5) coordinate with existing federal, state, local, utility, and other programs to ensure  
2.27 that the authority's resources are being used most effectively to add to and complement  
2.28 those programs;

2.29 (6) stimulate demand for qualified projects by:

3.1 (i) contracting with the department to provide, including through subcontracts with  
3.2 community navigators, information to project participants about federal, state, local, utility,  
3.3 and other authority financial assistance for qualifying projects, and technical information  
3.4 on energy conservation and renewable energy measures;

3.5 (ii) forming partnerships with contractors and informing contractors about the authority's  
3.6 financing programs;

3.7 (iii) developing innovative marketing strategies to stimulate project owner interest,  
3.8 especially in underserved communities; and

3.9 (iv) incentivizing financing entities to increase activity in underserved markets;

3.10 (7) finance projects in all regions of the state;

3.11 (8) develop participant eligibility standards and other terms and conditions for financial  
3.12 support provided by the authority;

3.13 (9) develop and administer:

3.14 (i) policies to collect reasonable fees for authority services; and

3.15 (ii) risk management activities to support ongoing authority activities;

3.16 (10) develop consumer protection standards governing the authority's investments to  
3.17 ensure that financial support is provided responsibly and transparently and is in the financial  
3.18 interest of participating project owners;

3.19 (11) develop methods to accurately measure the impact of the authority's activities,  
3.20 particularly on low-income communities and on greenhouse gas emissions reductions;

3.21 (12) hire an executive director and sufficient staff with the appropriate skills and  
3.22 qualifications to carry out the authority's programs, making an affirmative effort to recruit  
3.23 and hire a director and staff who are from, or share the interests of, the communities the  
3.24 authority must serve;

3.25 (13) apply for, either as a direct or subgrantee applicant, and accept Greenhouse Gas  
3.26 Reduction Fund grants authorized by the federal Clean Air Act, United States Code, title  
3.27 42, section 7434, paragraph (a), clauses (1), (2), and (3). Until the Climate Innovation  
3.28 Finance Authority is established, the commissioner shall apply for and receive funding  
3.29 through Public Law 117-169 in order to leverage state investment, on behalf of the authority.  
3.30 To the extent practicable, applications for these funds by or on behalf of the authority should  
3.31 be made in coordination with other Minnesota applicants;

4.1 (14) acting under its powers as a state energy financing institution under United States  
4.2 Code, title 42, section 16511, collaborate with the United States Department of Energy Loan  
4.3 Programs Office to ensure that authorities made available under the Inflation Reduction  
4.4 Act of 2022, Public Law 117-169, maximally benefit Minnesotans. Until the Climate  
4.5 Innovation Finance Authority is established, the commissioner may engage with the United  
4.6 States Department of Energy Loan Programs Office on behalf of the authority; and

4.7 (15) ensure that authority contracts with all third-party administrators, contractors, and  
4.8 subcontractors contain required covenants, representations, and warranties specifying that  
4.9 contracted third parties are agents of the authority and that all acts of contracted third parties  
4.10 are considered acts of the authority, provided that the act is within the contracted scope of  
4.11 work.

4.12 (b) The authority may:

4.13 (1) employ credit enhancement mechanisms that reduce financial risk for financing  
4.14 entities by providing assurance that a limited portion of a loan or other financial instrument  
4.15 is assumed by the authority via a loan loss reserve, loan guarantee, or other mechanism;

4.16 (2) co-invest in a qualified project by providing senior or subordinated debt, equity, or  
4.17 other mechanisms in conjunction with other investment, co-lending, or financing;

4.18 (3) aggregate small and geographically dispersed qualified projects in order to diversify  
4.19 risk; ~~or~~

4.20 (4) secure additional private investment through securitization or similar resale of the  
4.21 authority's interest in a completed qualified project;

4.22 ~~(4)~~ (5) expend up to 25 percent of funds appropriated to the authority for start-up  
4.23 purposes, which may be used for financing programs and project investments authorized  
4.24 under this section, prior to adoption of the strategic plan required under subdivision 7 and  
4.25 the investment strategy under subdivision 8; and

4.26 ~~(5)~~ (6) require a specific project to agree to implement a project labor agreement as a  
4.27 condition of receiving financing from the authority.