

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

S.F. No. 1999

(SENATE AUTHORS: SENJEM)

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Introduction and first reading
Referred to Energy and Utilities Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to energy; establishing a nonprofit corporation to provide financing and
1.3 leverage private investment for clean energy and other projects; requiring a report;
1.4 appropriating money; proposing coding for new law in Minnesota Statutes, chapter
1.5 216C.

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

1.7 Section 1. 216C.441 MINNESOTA INNOVATION FINANCE AUTHORITY.

1.8 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have
1.9 the meanings given them.

1.10 (b) "Advisory task force" means the advisory task force of the Minnesota Innovation
1.11 Finance Authority.

1.12 (c) "Authority" means the Minnesota Innovation Finance Authority.

1.13 (d) "Clean energy project" has the meaning given to "qualified project" in paragraph
1.14 (k), clauses (1) to (4).

1.15 (e) "Credit enhancement" means a pool of capital set aside to cover potential losses on
1.16 loans made by private lenders, including but not limited to loan loss reserves and loan
1.17 guarantees.

1.18 (f) "Energy storage system" has the meaning given in section 216B.2422, subdivision
1.19 1, paragraph (f).

1.20 (g) "Fuel cell" means a cell that converts the chemical energy of hydrogen directly into
1.21 electricity through electrochemical reactions.

2.1 (h) "Greenhouse gas emissions" has the meaning given to "statewide greenhouse gas
2.2 emissions" in section 216H.01, subdivision 2.

2.3 (i) "Loan loss reserve" means a pool of capital set aside to reimburse a private lender if
2.4 a customer defaults on a loan, up to an agreed upon percentage of loans originated by the
2.5 private lender.

2.6 (j) "Microgrid system" means an electrical grid serving a discrete geographical area
2.7 from distributed energy resources that can operate independently from the central electric
2.8 grid on a temporary basis.

2.9 (k) "Qualified project" means:

2.10 (1) a project, technology, product, service, or measure that:

2.11 (i) reduces energy use while providing the same level and quality of service or output
2.12 obtained before the application of the project;

2.13 (ii) shifts the use of electricity by retail customers in response to changes in the price of
2.14 electricity that vary over time, or other incentives designed to shift electricity demand from
2.15 times when market prices are high or when system reliability is jeopardized; or

2.16 (iii) significantly reduces greenhouse gas emissions relative to greenhouse gas emissions
2.17 produced before application of the project, excluding projects that generate power from the
2.18 combustion of fossil fuels;

2.19 (2) the development, construction, deployment, alteration, or repair of any:

2.20 (i) project, technology, product, service, or measure that generates electric power from
2.21 renewable energy; or

2.22 (ii) distributed generation system, energy storage system, smart grid technology, microgrid
2.23 system, fuel cell system, or combined heat and power system;

2.24 (3) the installation, construction, or use of end-use electric technology that replaces
2.25 existing fossil fuel-based technology;

2.26 (4) a project, technology, product, service, or measure that supports the development
2.27 and deployment of electric vehicle charging stations and associated infrastructure;

2.28 (5) agriculture projects that reduce net greenhouse gas emissions or improve climate
2.29 resiliency, including but not limited to reforestation, afforestation, forestry management,
2.30 and regenerative agriculture;

3.1 (6) the construction or enhancement of infrastructure that is planned, designed, and
3.2 operated in a manner that anticipates, prepares for, and adapts to current and projected
3.3 changing climate conditions so that the infrastructure withstands, responds to, and more
3.4 readily recovers from disruptions caused by the current and projected changing climate
3.5 conditions; and

3.6 (7) the development, construction, deployment, alteration, or repair of any project,
3.7 technology, product, service, or measure that:

3.8 (i) reduces water use while providing the same or better level and quality of service or
3.9 output that was obtained before implementing the water-saving approach; or

3.10 (ii) protects, restores, or preserves the quality of groundwater and surface waters,
3.11 including but not limited to actions that further the purposes of the Clean Water Legacy
3.12 Act, as provided in section 114D.10, subdivision 1.

3.13 (l) "Regenerative agriculture" means the deployment of farming methods that reduce
3.14 agriculture's contribution to climate change by increasing the soil's ability to absorb
3.15 atmospheric carbon and convert the atmospheric carbon to soil carbon.

3.16 (m) "Renewable energy" means energy generated from the following sources:

3.17 (1) solar;

3.18 (2) wind;

3.19 (3) geothermal;

3.20 (4) hydro;

3.21 (5) trees or other vegetation;

3.22 (6) anaerobic digestion of organic waste streams; and

3.23 (7) fuel cells using energy sources listed in this paragraph.

3.24 (n) "Smart grid" means a digital technology that allows for two-way communication
3.25 between a utility and the utility's customers that enables the utility to control power flow
3.26 and load in real time.

3.27 Subd. 2. **Establishment; purpose.** (a) By October 15, 2021, the Minnesota Innovation
3.28 Finance Authority Task Force established in this section must establish the Minnesota
3.29 Innovation Finance Authority as a nonprofit corporation under chapter 317A and must seek
3.30 designation as a charitable tax-exempt organization under section 501(c)(3) of the Internal
3.31 Revenue Code of 1986, as amended.

4.1 (b) When incorporated, the authority's purpose is to accelerate the deployment of clean
4.2 energy and other qualified projects by reducing the upfront and total cost of adoption, which
4.3 the authority achieves by leveraging existing public sources and additional private sources
4.4 of capital through the strategic deployment of public funds in the form of loans, credit
4.5 enhancements, and other financing mechanisms. The initial directors of the nonprofit
4.6 corporation must include at least a majority of the members of the task force and must
4.7 include the commissioner of commerce or the commissioner's designee and the commissioner
4.8 of employment and economic development or the commissioner's designee. The task force
4.9 must engage independent legal counsel with relevant experience in nonprofit corporation
4.10 law and clean energy financing.

4.11 (c) The Minnesota Innovation Finance Authority must:

4.12 (1) identify underserved markets for qualified projects in Minnesota, develop programs
4.13 to overcome market impediments, and provide access to financing to serve the projects and
4.14 underserved markets;

4.15 (2) strategically use authority funds to leverage private investment in qualified projects,
4.16 achieving a high ratio of private to public funds invested through funding mechanisms that
4.17 support, enhance, and complement private investment;

4.18 (3) coordinate with existing government- and utility-based programs to make the most
4.19 efficient use of the authority's funds, ensure that financing terms and conditions offered are
4.20 well-suited to qualified projects, and ensure the authority's activities add to and complement
4.21 the efforts of these partners;

4.22 (4) stimulate demand for qualified projects by serving as a single point of access for a
4.23 customer to obtain technical information on energy conservation and renewable energy
4.24 measures, for contractors who install energy conservation and renewable energy measures,
4.25 and for financing to reduce the upfront and total costs to borrowers, including through:

4.26 (i) serving as a clearinghouse for information about federal, state, and utility financial
4.27 assistance for qualifying projects in targeted underserved markets, including coordinating
4.28 efforts with the energy conservation programs administered by the customer's utility under
4.29 section 216B.241 and other programs offered to low-income households;

4.30 (ii) forming partnerships with contractors and educating contractors regarding the
4.31 authority's financing programs;

4.32 (iii) coordinating multiple contractors on projects that install multiple qualifying
4.33 technologies; and

5.1 (iv) developing innovative marketing strategies to stimulate project owner interest in
5.2 targeted underserved markets;

5.3 (5) develop rules, policies, and procedures specifying borrower eligibility and other
5.4 terms and conditions of financial support offered by the authority;

5.5 (6) develop consumer protection standards governing the authority's investments to
5.6 ensure the authority and partners provide financial support in a responsible and transparent
5.7 manner that is in the financial interest of participating project owners;

5.8 (7) develop and administer policies to collect reasonable fees for authority services that
5.9 are sufficient to support ongoing authority activities;

5.10 (8) develop and adopt a workplan to accomplish all of the activities required of the
5.11 authority, and update the workplan on an annual basis; and

5.12 (9) establish and maintain a comprehensive website providing access to all authority
5.13 programs and financial products, including rates, terms, and conditions of all financing
5.14 support programs, unless disclosure of the information constitutes a trade secret or
5.15 confidential commercial or financial information.

5.16 Subd. 3. **Additional authorized activities.** The authority is authorized to:

5.17 (1) engage in any activities of a Minnesota nonprofit corporation operating under chapter
5.18 317A;

5.19 (2) develop and employ the following financing methods to support qualified projects:

5.20 (i) credit enhancement mechanisms that reduce financial risk for private lenders by
5.21 providing assurance that a limited portion of a loan is assumed by the authority by means
5.22 of a loan loss reserve, loan guarantee, or other mechanism;

5.23 (ii) co-investment, in which the authority invests directly in a clean energy project
5.24 through the provision of senior or subordinated debt, equity, or other mechanisms in
5.25 conjunction with a private financier's investment; and

5.26 (iii) serve as an aggregator of many small and geographically dispersed qualified projects,
5.27 in which the authority may provide direct lending, investment, or other financial support in
5.28 order to diversify risk;

5.29 (3) serve as the designated state entity to apply for and accept federal funds authorized
5.30 by Congress under a federal climate bank, federal green bank, or other similar entity, provided
5.31 that the commissioner of commerce authorizes the application; and

6.1 (4) seek to qualify as a Community Development Financial Institution under United
6.2 States Code, title 12, section 4702, in which case the authority must be treated as a qualified
6.3 community development entity for the purposes of sections 45D and 1400(m) of the Internal
6.4 Revenue Code.

6.5 Subd. 4. **Advisory task force; membership.** (a) The advisory task force of the Minnesota
6.6 Innovation Finance Authority is established and consists of members as follows:

6.7 (1) the commissioner of commerce or the commissioner's designee;

6.8 (2) the commissioner of employment and economic development or the commissioner's
6.9 designee;

6.10 (3) additional members appointed by the governor;

6.11 (4) additional members appointed by the speaker of the house of representatives;
6.12 and

6.13 (5) additional members appointed by the president of the senate.

6.14 (b) The members appointed to the advisory task force under paragraph (a), clauses (3)
6.15 to (5), must have expertise in matters relating to energy conservation, clean energy, economic
6.16 development, banking, law, finance, or other matters relevant to the work of the advisory
6.17 task force. When appointing a member to the advisory task force, consideration must be
6.18 given to whether the advisory task force members collectively reflect the geographical and
6.19 ethnic diversity of Minnesota.

6.20 Subd. 5. **Report; audit.** By June 30, 2022, and by June 30 each year thereafter, the
6.21 authority must submit a comprehensive annual report on the authority's activities to the
6.22 governor and to the chairs and ranking minority members of the legislative committees with
6.23 primary jurisdiction over energy policy. The report must contain, at a minimum, information
6.24 on:

6.25 (1) the amount of authority capital invested, by project type;

6.26 (2) the amount of private capital leveraged as a result of authority investments, by project
6.27 type;

6.28 (3) the number of qualified projects supported, by project type, and location within
6.29 Minnesota;

6.30 (4) the estimated number of jobs created and tax revenue generated as a result of the
6.31 authority's activities;

7.1 (5) the number of clean energy projects financed in low- and moderate-income
7.2 households; and

7.3 (6) the authority's financial statements.

7.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.5 Sec. 2. **APPROPRIATION.**

7.6 Notwithstanding Minnesota Statutes, section 116C.779, subdivision 1, paragraph (j),
7.7 \$..... in fiscal year 2022 is appropriated from the renewable development account established
7.8 under Minnesota Statutes, section 116C.779, subdivision 1, to the commissioner of to
7.9 transfer to the advisory task force of the Minnesota Innovation Finance Authority established
7.10 under Minnesota Statutes, section 216C.441. This is a onetime appropriation. Of this amount,
7.11 up to \$50,000 must be made available to the advisory task force of the Minnesota Innovation
7.12 Finance Authority for start-up expenses, including but not limited to expenses incurred prior
7.13 to incorporation.

7.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.