

HF70 - 0 - State Building Energy Conservation Revolving Loan

Chief Author: **Mike Freiberg**
 Committee: **Climate And Energy Finance And Policy**
 Date Completed: **1/29/2021 4:35:02 PM**
 Lead Agency: **Commerce Dept**
 Other Agencies:
 Administration Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Administration Dept						
General Fund	-	10	10	10	10	10
Commerce Dept						
Renewable Development	-	15,000	-	-	-	-
State Total						
General Fund	-	10	10	10	10	10
Renewable Development	-	15,000	-	-	-	-
	Total	-	15,010	10	10	10
	Biennial Total		15,020			20

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Administration Dept					
General Fund	-	.1	.1	.1	.1
Commerce Dept					
Renewable Development	-	1.5	1.25	1.25	1.25
	Total	-	1.6	1.35	1.35

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Christian Larson **Date:** 1/29/2021 4:35:02 PM
Phone: 651-284-6436 **Email:** christian.larson@lbo.leg.mn

State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
Administration Dept						
General Fund		-	10	10	10	10
Commerce Dept						
Renewable Development		-	15,000	-	-	-
Total		-	15,010	10	10	10
Biennial Total				15,020		20
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Administration Dept						
General Fund		-	10	10	10	10
Commerce Dept						
Renewable Development		-	15,000	-	-	-
Total		-	15,010	10	10	10
Biennial Total				15,020		20
2 - Revenues, Transfers In*						
Administration Dept						
General Fund		-	-	-	-	-
Commerce Dept						
Renewable Development		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

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State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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Renewable Development	-	15,000	-	-	-	-
Total	-	15,000	-	-	-	-
Biennial Total			15,000			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Renewable Development	-	1.5	1.25	1.25	1.25
Total	-	1.5	1.25	1.25	1.25

LBO Analyst's Comment

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LBO Signature: Christian Larson **Date:** 1/29/2021 4:27:13 PM
Phone: 651-284-6436 **Email:** christian.larson@lbo.leg.mn

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Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Renewable Development	-	15,000	-	-	-
Total	-	15,000	-	-	-
Biennial Total			15,000		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Renewable Development	-	15,000	-	-	-
Total	-	15,000	-	-	-
Biennial Total			15,000		-
2 - Revenues, Transfers In*					
Renewable Development	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

HF70-0 proposes to establish a revolving loan fund for energy conservation in State Buildings. The loan fund is to be established through the appropriation of \$15,000,000 from the Renewable Development Account in fiscal year 2022. The proposed language indicates the Commissioner of Commerce shall manage and administer the state building energy conservation revolving loan fund. Investment income as well as interest from repayments of the principal must be credited back to the fund.

The Department of Commerce will be required to prescribe the form and criteria for loan applicants, will administer the loan program, and must require the following pieces of information:

- Total estimated project cost
- Loan amount sought
- Description of existing equipment, structural elements, operating characteristics,
- Other conditions affecting energy use that the energy conservation improvements financed by the loan modify or replace;
- A description of the proposed project;
- a detailed project budget
- calculations demonstrating the proposed project's expected energy and monetary savings;
- information demonstrating the agency's ability to repay the loan; and
- any additional information requested by the commissioner.

Loans made through this fund must be made at or below market interest rates, including zero interest loans, for a term that does not exceed 15 years. Payments of loan principal and interest must begin no later than one year after the project is completed.

Money in the fund is annually appropriated to the commissioner and does not lapse.

Assumptions

These funds would be used to help the state achieve the energy efficiency and renewable energy goals outlined in Executive Order 19-25 and 19-27. EO 19-27 specifically requires the Department to provide technical assistance in development of state energy projects.

Of the 24 cabinet level state agencies, those that own buildings and the most square footage will be a priority for project support

This bill would be a one-time distribution of \$15,000,000 in 2022 (section 2) from the Renewable Development Account and would continue with a disbursement investment income and repayments on an annual basis.

Commerce assumes the first round of loan amounts would range from \$25,000-\$300,000, with larger projects, up to \$1.5M developed in year two.

Project scope and size could range typically from \$25K to \$300K in size. For agencies focusing on multi building projects or large facility projects, the loan size may range from \$500K to \$1.5M. Larger projects can take longer to develop as well, so with the program development, outreach, and servicing, Commerce assumes the initial projects, in the first year will be smaller, with 3-5 projects total, and by the second year, there would be 2-3 large projects and 8-10 smaller each year, with funds rotating back into the RLF in order to fund additional projects on an ongoing basis.

Commerce assumes that additional program and technical assistance related work needed for this loan program would be offered by Office Enterprise Sustainability and that the predominant work Commerce would be for loan administration and servicing.

The FTE costs of 1.5 were assumptions based on a 15 year loan program, recognizing that there would be a combination of loan sizes and ongoing administration/reporting, etc. for all loans issued.

In addition, Commerce assumes IT software would need to be developed, or an off-the-shelf solution would need to be acquired. Estimated \$150,000 (one-time purchase), and \$20,000 per year ongoing for subscription/license, based on previous software purchases.

Payments of loan principal and interest must begin no later than one year after the project is completed.

Commerce must manage and administer the state building energy conservation revolving loan fund and will develop a quantitative weighting system in order to determine the loan applications.

Commerce would consult with the Department of Administration's Office of Enterprise Sustainability to support selection of projects and provide additional technical assistance to the state agencies.

Currently, the entire \$15 million would be appropriated for loan funds, without language allowing for Commerce's costs of administering the program. Commerce assumes language would be added allowing administrative costs.

Expenditure and/or Revenue Formula

In order to develop and administer the program, Commerce would need to utilize a portion totaling 1.5 FTE in FY22 and 1.25 FTE in FY23 and beyond to conduct the administrative tasks required. Each loan would need to be maintained for a period of 15 years from date of issuance.

- 0.25 FTE Loan Servicing & Fiscal Administration (10L)
- 0.25 FTE Loan Application & Documentation Administration (10L)
- 0.50 FTE Financial Technical Assistance & Project Development Assistance (14L)
- 0.25 FTE Engineer specialize in Measurement & Verification (15L)
- 0.25 FTE Legal (in year 1 only to establish the fund) (18L)

		FY22	FY23	FY24
Salary		101,440	81,698	81,698
Fringe		30,432	24,509	24,509
Other Personnel Related Costs		38,293	31,586	31,586

			170,165	137,794	137,794
IT Cost			150,000	20,000	20,000
Total Cost			320,165	157,794	157,794

Long-Term Fiscal Considerations

These costs would be ongoing through the life of the loans.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

Phone: 651-539-1517

Date: 1/29/2021 4:26:06 PM

Email: amy.trumper@state.mn.us

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 Committee: **Climate And Energy Finance And Policy**
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 Agency: **Administration Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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Biennial Total			20			20

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General Fund	-	.1	.1	.1	.1
Total	-	.1	.1	.1	.1

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joe Harney **Date:** 1/29/2021 3:30:13 PM
Phone: 651-284-6438 **Email:** joe.harney@lbo.leg.mn

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Total		-	10	10	10	10
Biennial Total				20		20
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	10	10	10	10	10
Total		-	10	10	10	10
Biennial Total				20		20
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

House File 70 establishes a state building energy conservation revolving fund to make loans to state agencies to implement energy conservation improvements in state buildings. The Department of Commerce will receive an appropriation to provide loans and must manage and administer the revolving fund.

Assumptions

Admin's Real Estate and Construction Services (RECS) division will oversee conservation improvements funded by the revolving fund for state agencies that RECS normally supports with construction project management services. RECS project managers currently oversee 25-30 projects. As projects are initiated utilizing the funding authorized in the 2020 bonding bill, we anticipate their workload will increase.

Expenditure and/or Revenue Formula

We estimate an additional 0.1 FTE State Prog Admin Intermediate will be needed to handle the workload created by this bill each fiscal year beginning with FY22. The FTE needed and related costs may vary depending on the number and complexity of projects created by this funding. Non-salary costs associated with this position are anticipated to be minimal and would be absorbed. Estimated costs for the position are as follows:

Salary/Fringe	FY22	FY23	FY24	FY25
Base Salary - 0.1 FTE	6,680	6,846	6,846	6,846
FICA - 7.65%	511	524	524	524
Retirement - 6.25%	417	428	428	428
Insurance	2,472	2,538	2,538	2,538
Total	10,080	10,336	10,336	10,336

Admin's Office of Enterprise Sustainability will provide support as needed to the Department of Commerce relating to energy conservation projects generated by the bill. We anticipate their support will be sufficiently minimal to be absorbed by existing team members.

Long-Term Fiscal Considerations

Implementing energy conservation improvements reduces utility consumption and associated costs.

Local Fiscal Impact

None

References/Sources

Wayne Waslaksi

Real Estate and Construction Services Director

(651) 201-2548

Agency Contact: Wayne Waslaksi (651) 201-2548

Agency Fiscal Note Coordinator Signature: Bruce Lemke

Phone: 651-2012530

Date: 1/29/2021 3:25:23 PM

Email: bruce.lemke@state.mn.us