

HF70 - 1E - State Building Energy Conservation Revolving Loan

Chief Author: **Mike Freiberg**
 Committee: **Climate And Energy Finance And Policy**
 Date Completed: **2/23/2021 9:27:37 AM**
 Agency: **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
General Fund	-	311	207	217	217
Renewable Development	-	15,000	-	-	-
New Fund	-	(9,500)	8,352	729	(19)
Total	-	5,811	8,559	946	198
Biennial Total			14,370		1,144

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	1.2	1.6	1.6	1.7
Renewable Development	-	-	-	-	-
New Fund	-	-	-	-	-
Total	-	1.2	1.6	1.6	1.7

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:** 2/23/2021 9:27:37 AM
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State Cost (Savings) Calculation Details

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

*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
General Fund	-	311	207	217	217	
Renewable Development	-	15,000	-	-	-	-
New Fund	-	(9,500)	8,352	729	(19)	
Total	-	5,811	8,559	946	198	
			14,370		1,144	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	311	207	217	217	
Renewable Development						
Expenditures	-	-	-	-	-	-
Transfers Out	-	15,000	-	-	-	-
New Fund	-	5,500	9,500	3,600	3,500	
Total	-	20,811	9,707	3,817	3,717	
			30,518		7,534	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Renewable Development	-	-	-	-	-	-
New Fund						
Revenues	-	-	1,148	2,871	3,519	
Transfers In	-	15,000	-	-	-	-
Total	-	15,000	1,148	2,871	3,519	
			16,148		6,390	

Bill Description

HF70.1E amends Minnesota Statutes (MS) 2020, Section 16B.86 to establish a revolving loan fund to implement energy conservation improvements in state buildings and amends MS 16B.87 to clarify award and repayment requirements. In fiscal year 2022, the Department of Administration would receive a \$15 million transfer from the Renewable Development Account to provide loans and be granted authority to manage and administer the revolving loan fund.

Repayments of principal and any other earnings must be credited back to the revolving loan fund. Repayments must begin no later than one year after the project is completed.

State agencies will be eligible to apply for funds, and requests will be reviewed by the commissioners of Administration, Management and Budget, and Commerce.

Loan applications must include the following information:

- Description of the proposed project, including existing equipment, structural elements, operating characteristics, and other conditions affecting energy use that the energy conservation improvements financed by the loan modify or replace,
- Total estimated project costs,
- Loan estimate sought,
- Detailed project budget,
- Projections of 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 of Administration.

Assumptions

These funds would be used to help state agencies reduce energy and water consumption and greenhouse gas (GHG) emissions outlined in Executive Order 19-27 and 19-25.

All cabinet-level state agencies that own buildings will be eligible to apply to the Department of Administration's Office of Enterprise Sustainability (OES) for funds. The OES will consult with the Departments of Commerce and Management and Budget on the selection of the projects and forward the recommendations to the Commissioners specified in the bill for review and approval.

The first round of loan amounts would range from \$25,000 - \$1,500,000 with larger projects up to \$2.5 million developed in subsequent years. The OES anticipates generating between 10-20 loans per year. Agencies will enter into interagency loan agreements with the Department of Administration. Loans will be repaid with energy savings. Loan agreement terms will be variable depending on the nature and complexity of each project. Loans made through this fund may include zero interest loans.

The entire \$15 million would be appropriated for loans. The Department of Administration will incur costs to administer the loan program which are detailed in the following section. Those administrative costs cannot be absorbed.

Expenditure and/or Revenue Formula

A 1.0 FTE State Planner Senior or similar classification (10L) will be hired to identify energy efficiency and water conservation projects, analyze proposals, and manage the revolving loan program.

Additional program support will be provided by the OES Director and Sustainability Planner. We anticipate this support and the associated costs will be minimal and absorbed.

Additional staff will be required to administer loan agreements, process loan payments, invoice agencies for periodic loan repayments, manage and report loan receivables, and provide budget support and maintenance.

In addition, Admin anticipates IT software would be acquired or developed to manage the loan portfolio. Estimated software costs are \$150,000 (one-time purchase) and \$20,000 per year ongoing for subscription, license and management.

Anticipated costs to manage and administer the loan program are itemized in the table below. Salary/fringe estimates include FICA, retirement, and insurance costs.

Cost Categories	FY22	FY23	FY24	FY25
Planner Sr State 1.0 FTE per FY	\$109	\$112	\$112	\$112
Accounting Officer (administer loan agreements, report loan receivables, and provide budget support/ maintenance)	\$10 0.1 FTE	\$29 0.3 FTE	\$34 0.3 FTE	\$34 0.35 FTE
Account Clerk Senior (process loan payments, invoice agencies and track receipts)	\$9 0.1 FTE	\$27 0.3 FTE	\$32 0.3 FTE	\$32 0.35 FTE
Software	150	20	20	20
Rent	8	8	8	8
IT (phone, computer support, etc.)	9	9	9	9
Supplies	1	1	1	1
Training/Other Operating	1	1	1	1
Office furniture	14			
Total	311	207	217	217

This fiscal note attempts to estimate loan disbursements and repayment activity from FY22-25. Estimated disbursements are shown in the table as expenditures. Estimated repayments are shown as revenue. The actual amounts and timing of

disbursements and repayments will be dependent on the number, timing, nature and complexity of projects to be supported by this funding. Implementing the loan program will involve hiring staff, drafting loan agreements, determining project selection criteria, and identifying qualifying projects. Some bond fund projects proposed by state agencies may be identified as being appropriate for utilizing the revolving fund. Due to COVID protocols, contractors have not been allowed access or have had restricted access to many of the state's facilities to conduct energy audits and implement projects. If this persists, full implementation of the program could be delayed.

Long-Term Fiscal Considerations

State agency energy costs will be reduced by the projects funded by this program.

Local Fiscal Impact

References/Sources

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