

House Research Act Summary

CHAPTER: 356

SESSION: 2008 Regular Session

TOPIC: Energy conservation financing for public buildings

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Section

1 [16B.321] Definitions.

Subd. 2. Energy improvement project. “Energy improvement project” means a project to improve a state building’s energy efficiency or to utilize renewable energy sources (including solar, wind, geothermal, and biomass), and includes the design, acquisition, installation, construction and commissioning of equipment, and the training of building staff to operate and maintain it.

Subd. 4. Financing agreement. “Financing agreement” means a tax-exempt lease purchase agreement entered into by the commissioner of administration and a financial institution under a standard agreement under section 2, subdivision 4.

2 [16B.322] Energy improvement financing program for state government.

Subd. 1. Commissioner’s authority and duties; state agency authority.

Authorizes a state agency to enter into contracts with the commissioner of administration and a financial institution for the purposes of this section.

Subd. 2. Program eligibility; voluntary program participation; targeted technical services. Authorizes the commissioner to target technical services offered under subdivision 3 to buildings that offer the greatest potential for improving energy efficiency or reducing fossil fuel use.

Subd. 3. Targeted technical services. Authorizes the commissioner to require

full or partial reimbursement of the cost of technical services provided to applicants.

Subd. 4. Financing agreement. Requires the commissioner to solicit proposals from and enter into financing agreements with financial institutions, the term of which is not to exceed 15 years from the project's completion date. The proceeds from the agreements are appropriated to the commissioner for the purposes of this section.

Subd. 5. Qualifying energy improvement projects. Specifies the determinations the commissioner must make in order to approve a project, including that the project:

- is technically and economically feasible;
- will result in an annual positive cash flow, if the project is an energy efficiency improvement; and
- will reduce fossil fuel use, if the project is a renewable energy project.

Subd. 6. Program costs. Allows program costs that are not reimbursed or paid directly under a financing agreement to be paid with petroleum violation escrow funds appropriated to the commissioner under section 10, subdivision 10.

3 [116J.437] Coordinating economic development and environmental policy.

Subd. 1. Definitions. Defines "green economy" as products, processes, methods, technologies or services intended to:

- increase the use of renewable energy;
- achieve the utilities' 1.5 percent annual energy savings goal;
- achieve the state's greenhouse gas emissions reductions goals;
- protect and restore surface water quality, including furthering the purposes of the Clean Water Legacy Act; and
- expand the use of biofuels.

Subd. 2. Coordinating economic development and environmental policy. Directs the commissioner of employment and economic development and the Job Skills Partnership Board to cooperate to promote job training for the development of green economy businesses.

4 [116J.575] Subd. 1a. Priorities. Requires the commissioner of employment and economic development to consider, in awarding Greater Minnesota Redevelopment Grants, whether the project advances or promotes the green economy.

5 [116J.8731] Subd. 4. Eligible projects. Requires the commissioner of employment and economic development to consider, in providing assistance to communities from the Minnesota Investment Fund, whether the project advances or promotes the green economy.

6 [216C.09] Commissioner duties. Strikes current language requiring the commissioner to

adopt rules to dispense money received from litigation or settlement of federal petroleum-pricing violations.

7 **[216C.145] Microenergy loan program.**

Subd. 1. Definitions. Defines “small-scale renewable energy” to mean solar thermal water heating, solar electric, wind systems under 250kW, anaerobic digesters, microhydro systems up to 100kW, and geothermal heating and cooling.

Subd. 2. Program established. Requires the commissioner of commerce to develop and implement a microenergy loan program under this section.

Subd. 3. Loan purposes. Authorizes the commissioner to issue loans to local units of government to finance small-scale renewable energy projects that are community- or publicly owned or owned by a small business. The commissioner may also participate in Minnesota Housing Finance Agency loans for the installation of such projects to entities that construct, purchase or rehabilitate residential housing, including individual homeowners.

Subd. 4. Technical standards. Requires the commissioner to determine technical standards that small-scale renewable energy projects must meet in order to qualify for loans.

Subd. 5. Loan proposals. Requires the commissioner to publish a RFP in the State Register at least annually to solicit loan proposals from local units of government, and specifies criteria for selecting proposals.

Subd. 6. Loan terms. Specifies that loans must be issued at the lowest interest rate required to recover principal plus interest plus the loan issuance costs, and must have a term of at least 15 years, unless the commissioner determines that a term no shorter than 10 years is feasible.

Subd. 7. Account. Establishes a microenergy loan account in the state treasury, consisting of revenue bonds issued under section 8 and other revenues.

Subd. 8. Appropriation. Appropriates money to the commissioner of commerce for microenergy loans and to the commissioner of finance to pay debt service and other costs under section 8.

8 **[216C.146] Microenergy loan revenue bonds.**

Subd. 1. Bonding authority; definition. Requires the commissioner of finance to issue and sell state revenue bonds for microenergy loans under section 7, and for associated costs. No more than \$20 million in bonds may be outstanding for loans.

Subd. 2. Procedure. Gives the commissioner of finance discretion to determine the terms and conditions of bonds and how they are sold.

Subd. 3. Revenue sources. Specifies that debt service may only be repaid from the account established in section 7 or other revenues pledged to payment of the

bonds.

Subd. 4. Refunding bonds. Authorizes the commissioner to issue bonds to refund outstanding bonds, and describes refund procedures.

Subd. 5. Not a general or moral obligation. Specifies that the bonds issued under this section are not public debt, and their payment is not pledged by the state's full faith, credit and taxing powers.

Subd. 6. Trustee. Authorizes the commissioner to contract with a trustee for bond holders.

Subd. 7. Pledges. Specifies that a pledge made by the commissioner is valid and binding.

Subd. 8. Bonds; purchase and cancellation. Authorizes the commissioner to purchase bonds, and sets a maximum price on such purchases.

Subd. 9. State pledge against impairment of contracts. Pledges the state to fulfill the terms of agreements made with bondholders.

9 [216C.42] **Definitions.**

Subd. 1. Scope. Specifies that the definitions are applicable to this section and section 10.

Subd. 7. Supplemental cash flow agreement. "Supplemental cash flow agreement" means an agreement by the commissioner of commerce to loan funds to a local government up to an amount that insures that the payments made by the local government under a financing agreement minus the amount of the loan do not exceed the cost savings attributable to implementation of the energy improvement project for the term of the supplemental cash flow agreement.

10 [216C.43] **Energy improvement financing program for local government.**

Subd. 1. Commissioner's authority and duties; local government authority. Authorizes a local government to enter into contracts with the commissioner of administration and a financial institution for purposes of this section.

Subd. 2. Program eligibility; voluntary program participation; targeted technical services. Authorizes the commissioner to target technical services offered under subdivision 4 to local governments that offer the greatest potential for improving energy efficiency or reducing fossil fuel use.

Subd. 3. Primary contractor for technical, financial, and program management services. Authorizes the commissioner to enter into a contract for the delivery of technical, financial, and program management services.

Subd. 4. Targeted technical services. Requires the commissioner to offer technical services directly or through a contractor to local governments to conduct energy project studies. Authorizes the commissioner to require full or partial

reimbursement of the cost of technical services provided to applicants.

Subd. 5. Participation of technical service providers statewide. Requires program implementation to encourage participation by engineers, architects, and other technical service providers. The commissioner may provide training to technical service providers regarding energy project study requirements.

Subd. 6. Standard project financing agreement. Requires the commissioner to solicit proposals from and enter into standard project financing agreements with private financial institutions. Projects may be financed by other means.

Subd. 7. Supplemental cash flow agreement. Authorizes the commissioner to offer a supplemental cash flow agreement to a participating local government. The term of such an agreement may not exceed 15 years. Terms and conditions must be agreed to by contract prior to the signing of a financing agreement. Specifies required elements of a supplemental cash flow agreement.

Subd. 8. Qualifying energy improvement projects. Specifies criteria to be used by the commissioner in approving projects.

Subd. 9. Program costs. Allows indirect costs incurred by the commissioner or a public entity to be paid with program funds under subdivision 10.

Subd. 10. Funding; appropriation; receipt. Appropriates petroleum violation escrow funds and school and hospital energy loan program funds to the commissioner for the purposes of this section. Up to \$1 million may be transferred to the commissioner of administration for the purposes of section 16B.322.

Subd. 11. CIP energy savings goals. Allows a utility or association to count energy savings under this section towards its conservation improvement program (CIP) energy savings goal.

Subd. 12. Report. Requires the commissioner to submit a report to the legislature, by January 15, 2009, and each year thereafter, on projects, costs, and expenditures on technical services under subdivision 4.

- 11 [471.345] **Subd. 13. Energy efficiency projects.** Extends the maximum term for payments made under a guaranteed energy savings contract from 15 to 20 years.
- 12 **Report to commissioner of education.** Requires the commissioner of commerce to submit a report to the commissioner of education by January 15 of 2009 and 2010 on the type and amount of each project for which a loan was requested under section 10, whether the loan was approved, and, if not, the reason for its rejection.
- 13 **Report; Green Star Award expansion.** Requires the PCA and Office of Energy Security, in collaboration with the Clean Energy Resource Teams (CERTs), to submit a report to the legislature by February 2, 2009, containing recommendations to expand eligibility to receive the Green Star Award (section 114C.25), to include cities and communities that reduce greenhouse gas emissions, and other information.
- 14 **Green economy report.** Requires each state agency (except the IRRRB) administering loan and grant programs to assess these programs' potential to advance the growth of the green economy. Agencies must submit plans to integrate programs with such potential to the commissioner of commerce by November 15, 2008. The commissioner of commerce must submit a report to the legislature by November 15, 2009, containing these agency plans and any recommended legislation, and must develop guidelines for state agencies to comply with this section.
- 15 **Green jobs task force.**

Subd. 1. Task force. Establishes a Green Jobs Task Force to advise the governor and legislature and to develop a statewide action plan. Specifies task force membership, including three legislators from each body, seven representatives from state agencies and educational institutions, and 11 public members.

Subd. 2. Duties. Requires the task force to develop and present a statewide plan to optimize the growth of the green economy, including proposed legislation and budget requests. The plan must include an analysis of business opportunities it creates and corresponding labor force needs, and an inventory of business and labor resources available to respond to the opportunities identified. The report must be submitted to the legislature by January 15, 2009.

Subd. 3. Expiration. The task force expires June 30, 2009.

16

Repealer. Repeals statute appropriating petroleum violation escrow funds to the commissioner of commerce for use as energy loans to schools and hospitals.