

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

S.F. No. 2301

(SENATE AUTHORS: XIONG)

DATE	D-PG	OFFICIAL STATUS
03/01/2023	1195	Introduction and first reading
		Referred to Energy, Utilities, Environment, and Climate
03/15/2023		Comm report: To pass as amended and re-refer to State and Local Government and Veterans

1.1 A bill for an act

1.2 relating to energy; establishing the Minnesota Innovative Finance Authority to

1.3 provide financing and leverage private investment for clean energy and other

1.4 projects; requiring a report; proposing coding for new law in Minnesota Statutes,

1.5 chapter 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.

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

1.11 task force.

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. Credit enhancement includes but is not limited to loan loss

1.17 reserves and loan 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 that (1) serves a discrete geographical
2.7 area from distributed energy resources, and (2) can operate independently from the central
2.8 electric grid on a temporary basis.

2.9 (k) "Qualified project" means a project, technology, product, service, or measure
2.10 predominantly focused on clean energy, electrification, or energy or climate resilience as
2.11 follows:

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

2.13 (i) results in the reduction of energy use while providing the same level of service or
2.14 output obtained before the project, technology, product, service, function, or measure was
2.15 applied;

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

2.20 (iii) significantly reduces greenhouse gas emissions relative to greenhouse gas emissions
2.21 produced before the project is implemented, excluding projects that generate power from
2.22 the combustion of fossil fuels;

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

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

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

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

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

3.1 (5) a project that reduces net greenhouse gas emissions or improves climate resiliency,
3.2 including but not limited to reforestation, afforestation, forestry management, and
3.3 regenerative agriculture;

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

3.9 (7) the development, construction, deployment, alteration, or repair of any project,
3.10 technology, product, service, or measure that: (i) reduces water use while providing the
3.11 same or better level and quality of service or output that was obtained before implementing
3.12 the water-saving approach; or (ii) protects, restores, or preserves the quality of groundwater
3.13 and surface waters, including but not limited to actions that further the purposes of the Clean
3.14 Water Legacy Act, as provided in section 114D.10, subdivision 1.

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

3.18 (m) "Renewable energy" has the meaning given in section 216B.2422 and includes fuel
3.19 cells generated from renewable energy.

3.20 (n) "Smart grid" means a digital technology that (1) allows for two-way communication
3.21 between a utility and the utility's customers, and (2) enables the utility to control power
3.22 flow and load in real time.

3.23 Subd. 2. **Establishment; purpose.** (a) By September 1, 2023, the department must
3.24 establish and convene a Minnesota Innovation Finance Authority Advisory Task Force.

3.25 (b) By February 1, 2024, the Minnesota Innovation Finance Authority Advisory Task
3.26 Force must establish the Minnesota innovation finance authority as a nonprofit corporation,
3.27 including the development of the nonprofit board under chapter 317A, and must seek
3.28 designation as a charitable tax-exempt organization under section 501(c)(3) of the Internal
3.29 Revenue Code of 1986, as amended. The advisory task force must engage independent legal
3.30 counsel with relevant experience in nonprofit corporate law to help establish the nonprofit
3.31 corporation. The nonprofit corporation must be governed by a board of directors.

3.32 (c) The authority must establish bylaws, subject to approval by the commissioner.

4.1 (d) The initial board of directors must include at least a majority of the members of the
4.2 advisory task force established under subdivision 5.

4.3 (e) When incorporated, the authority must serve as an independent, nonprofit corporation
4.4 for public benefit whose purpose is to (1) promote investments in qualified clean energy,
4.5 efficiency, electrification, and other climate-mitigation-related projects, and (2) accelerate
4.6 the deployment of qualified projects by reducing the up-front and total cost of adoption.
4.7 The authority may achieve the purposes under this paragraph by leveraging public sources
4.8 and additional private sources of capital through the strategic deployment of public money
4.9 in the form of loans, credit enhancements, and other financing mechanisms, along with
4.10 strategies that stimulate demand.

4.11 (f) The 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) except for projects within identified disadvantaged communities, as determined by
4.16 the commissioner, that may limit an investment, strategically prioritize money to leverage
4.17 private investment in qualified projects, achieving a high ratio of private to public money
4.18 invested through funding mechanisms that support, enhance, and complement private
4.19 investment;

4.20 (3) coordinate with existing government- and utility-based programs to ensure (i) the
4.21 most effective use of the authority's resources, (ii) that financing terms and conditions
4.22 offered are well-suited to qualified projects, (iii) coordination of communication with respect
4.23 to all financing options under this section and other state and utility programs, and (iv) the
4.24 authority's activities add to and complement the efforts of state and utility partners;

4.25 (4) serve as an informational resource for contractors interested in installing qualified
4.26 projects by (i) forming partnerships with and educating contractors regarding the authority's
4.27 financing programs, and (ii) coordinating multiple contractors on projects that install multiple
4.28 qualifying technologies;

4.29 (5) develop innovative and inclusive marketing strategies to stimulate project owner
4.30 interest in targeted underserved markets;

4.31 (6) serve as a financial resource to reduce the up-front and total costs to borrowers;

4.32 (7) prioritize projects that maximize greenhouse gas emission reductions or address
4.33 disparities in access to clean energy projects for underserved communities;

5.1 (8) ensure that workers employed by contractors and subcontractors performing
5.2 construction work on projects over \$100,000, financed all or in part by the authority, are
5.3 paid wages not less than the prevailing wage on similar construction projects in the applicable
5.4 locality;

5.5 (9) develop rules, policies, and procedures specifying borrower eligibility and other
5.6 terms and conditions for financial support offered by the fund that must be met before
5.7 financing support is provided for any qualified clean energy project;

5.8 (10) develop and administer (i) policies to collect reasonable fees for authority services,
5.9 and (ii) risk management activities that are sufficient to support ongoing authority activities;

5.10 (11) subject to review by the department, develop and adopt a work plan to accomplish
5.11 all of the activities required of the authority and update the work plan on an annual basis;

5.12 (12) develop consumer protection standards governing the authority's investments to
5.13 ensure the authority and partners provide financial support in a responsible and transparent
5.14 manner that is in the financial interest of participating project owners and serves the defined
5.15 underserved markets and disadvantaged communities; or

5.16 (13) establish and maintain an online and mobile-access portal that provides access to
5.17 all authority programs and financial products, including rates, terms, and conditions of all
5.18 financing support programs, unless disclosure of the information constitutes a trade secret
5.19 or confidential commercial or financial information.

5.20 Subd. 3. **Additional department responsibilities.** In addition to the responsibilities
5.21 listed in this section, the department must:

5.22 (1) review consumer protection standards established by the authority; and

5.23 (2) provide standard state oversight to money appropriated under this section.

5.24 Subd. 4. **Additional authorized activities.** (a) The authority is authorized to:

5.25 (1) engage in any activities of a Minnesota nonprofit corporation operating under chapter
5.26 317A;

5.27 (2) develop and employ financing methods to support qualified projects, including:

5.28 (i) credit enhancement mechanisms that reduce financial risk for private lenders by
5.29 providing assurance that a limited portion of a loan is assumed by the fund via a loan loss
5.30 reserve, loan guarantee, or other mechanism;

6.1 (ii) co-investment, where the fund invests directly in a clean energy project by providing
6.2 senior or subordinated debt, equity, or other mechanisms in conjunction with a private
6.3 financier's investment; and

6.4 (iii) serving as an aggregator of many small and geographically dispersed qualified
6.5 projects, where the authority may provide direct lending, investment, or other financial
6.6 support in order to diversify risk; and

6.7 (3) seek to qualify as a community development financial institution under United States
6.8 Code, title 12, section 4702.

6.9 (b) If the authority is qualified as a community development financial institution, the
6.10 authority must be treated as a qualified community development entity for the purposes of
6.11 sections 45D and 1400(m) of the Internal Revenue Code.

6.12 Subd. 5. **Advisory task force; membership.** (a) The Minnesota Innovation Finance
6.13 Authority Advisory Task Force is established and consists of 15 members as follows:

6.14 (1) the commissioner of commerce or the commissioner's designee, who serves as chair
6.15 of the advisory task force;

6.16 (2) the commissioner of employment and economic development or the commissioner's
6.17 designee;

6.18 (3) the commissioner of the Pollution Control Agency or the commissioner's designee;

6.19 (4) the commissioner of agriculture or the commissioner's designee;

6.20 (5) two additional members appointed by the governor;

6.21 (6) two additional members appointed by the speaker of the house;

6.22 (7) two additional members appointed by the president of the senate; and

6.23 (8) five members that have extensive life or work experience within economically
6.24 disadvantaged communities that the authority aims to serve, appointed by the governor and
6.25 the commissioners identified in clauses (1) to (4).

6.26 (b) The members appointed to the advisory task force under paragraph (a), clauses (6)
6.27 and (7), must have expertise in matters relating to energy conservation, clean energy,
6.28 economic development, banking, law, finance, or other matters relevant to the work of the
6.29 advisory task force.

7.1 (c) When appointing a member to the advisory task force, consideration must be given
7.2 to whether the advisory task force members collectively reflect the geographical and ethnic
7.3 diversity of Minnesota.

7.4 (d) Members of the advisory task force must abide by the conflict of interest provisions
7.5 under section 43A.38.

7.6 (e) In order to ensure participation, the commissioner may provide a nominal grant to
7.7 any advisory task force member that demonstrates financial need in order to participate.

7.8 Subd. 6. Report; audit. Beginning February 1, 2025, the authority must annually submit
7.9 a comprehensive report on the authority's activities for the previous fiscal year to the governor
7.10 and the chairs and ranking minority members of the legislative committees with primary
7.11 jurisdiction over energy policy. The report must contain, at a minimum, information
7.12 regarding:

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

7.14 (2) the amount of private capital leveraged as a result of authority investments, itemized
7.15 by project type;

7.16 (3) the number of qualified projects supported, itemized by project type and location
7.17 within Minnesota;

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

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

7.22 (6) the authority's financial statements.

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