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Minnesota Climate Innovation Finance Authority

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<https://mn.gov/commerce/energy/consumer/energy-programs/climate-innovation.jsp>

AT A GLANCE

- The Minnesota Climate Innovation Finance Authority (MnCIFA) was created in 2023 to serve as Minnesota’s new “Green Bank”.
- MnCIFA will be a key partner in delivering historic federal climate investments as a member of the national green bank network and play a role in advancing the carbon to clean transition in Minnesota.

PURPOSE

The Minnesota Climate Innovation Finance Authority (MnCIFA) was created during the 2023 legislative session. MnCIFA is a publicly accountable financing authority commonly known in other states as a “green bank”. The mission of MnCIFA is to accelerate the adoption of proven clean energy technology and greenhouse gas reduction projects to expand access to untapped markets and to bring benefits to historically underserved communities and communities in which fossil fuel electric generating plants are retiring. This is ensuring that all Minnesotans share the benefits of clean and renewable energy and clean energy jobs for Minnesota workers.

BUDGET

Due to being a newly established agency, MnCIFA does not have historical spending. MnCIFA will use financing tools to leverage private and public capital to overcome the market barriers that inhibit the financing of these projects. MnCIFA will partner with Minnesota’s strong ecosystem of clean energy providers, using additional investment to increase the adoption of existing products and reduce barriers for underserved and low-income populations.

STRATEGIES

MnCIFA is in the process of developing our strategic 2-year plan and a 4-year investment strategy to identify targeted underserved markets, develop strategies to address barriers, and identify tools and partnerships to maximize likelihood of success. Those plans will be in place by December 15th, 2024.

RESULTS

The results for MnCIFA will be determined by the Executive Director and the board overseeing the work of the agency.

MnCIFA Jurisdiction: Minnesota Climate Innovation Finance Authority – M.S. 216C.441
(<https://www.revisor.mn.gov/statutes/cite/216C.441>)

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27

Expenditures by Fund

2002 - Climate and Economic Dev			307	644	1,000	1,016	1,000	1,016
Total			307	644	1,000	1,016	1,000	1,016
Biennial Change				951		1,065		1,065
Biennial % Change						112		112
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Program

Climate Innovn Finance Authrty			307	644	1,000	1,016	1,000	1,016
Total			307	644	1,000	1,016	1,000	1,016

Expenditures by Category

Compensation			101	444	700	700	700	700
Operating Expenses			205	200	300	316	300	316
Total			307	644	1,000	1,016	1,000	1,016

Full-Time Equivalents

			0.62	4.00	5.00	5.00	5.00	5.00
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(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27
2002 - Climate and Economic Dev								
Balance Forward In				41,695	34,275	28,900	34,275	28,900
Receipts			1,700	1,724	1,125	576	1,125	576
Transfers In			51,200	20,500	3,500	4,500	3,500	4,500
Transfers Out			6,200	21,000	3,500	4,500	3,500	4,500
Net Loan Activity			(4,700)	(8,000)	(5,500)	(4,000)	(5,500)	(4,000)
Balance Forward Out			41,694	34,275	28,900	24,460	28,900	24,460
Expenditures			307	644	1,000	1,016	1,000	1,016
Biennial Change in Expenditures				951		1,065		1,065
Biennial % Change in Expenditures						112		112
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			0.62	4.00	5.00	5.00	5.00	5.00

3000 - Federal

Receipts				65,000	40,000	40,000	40,000	40,000
Net Loan Activity				(65,000)	(40,000)	(40,000)	(40,000)	(40,000)

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
<i>Dedicated</i>				
Fund: 2002 - Climate and Economic Dev				
Planned Spending	644	1,000	1,016	2,016
Forecast Base	644	1,000	1,016	2,016
Total Governor's Recommendations	644	1,000	1,016	2,016
<i>Revenue Change Summary</i>				
<i>Dedicated</i>				
Fund: 2002 - Climate and Economic Dev				
Forecast Revenues	1,724	1,125	576	1,701
Total Governor's Recommendations	1,724	1,125	576	1,701
Fund: 3000 - Federal				
Forecast Revenues	65,000	40,000	40,000	80,000
Total Governor's Recommendations	65,000	40,000	40,000	80,000

Climate Innovation Finance Authority

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and ALN	Federal Grant Name Brief Purpose	FY 2024 Actual	FY 2025 Budget	FY 2026 Base	FY 2027 Base	Required State Match or MOE?	FTEs
U.S. Department of Energy 81.126	Federal Loan Guarantees for Innovative Energy Technologies [Inflation Reduction Act of 2022] - MnCIFA will receive funds from the Department of Energy Loan Program Office in the form of loans. These loans will be used to fund energy efficiency and renewable energy projects for schools.	\$ -	\$ 40,000	\$ 40,000	\$ 40,000	Yes	-
U.S. Environmental Protection Agency 66.957	Inflation Reduction Act- Greenhouse Gas Reduction Fund - MnCIFA will receive the EPA grant under the Greenhouse Gas Reduction Fund in the Inflation Reduction Act. The EPA has awarded \$5 billion to the Coalition for Green Capital and MnCIFA is a sub awardee in the amount of \$25 million. These funds will be used to fund, through various loan products, projects that reduce greenhouse gas emissions.	\$ -	\$ 25,000	\$ -	\$ -	No	-
	Federal Fund – Agency Total	\$ -	\$ 65,000	\$ 40,000	\$ 40,000		-

Narrative

Federal Loan Guarantees for Innovative Energy Technologies: MnCIFA will receive funds from the Department of Energy Loan Program Office in the form of loans. These loans will be used to fund energy efficiency and renewable energy projects for schools. Most of the funds will be directed to solar installations and some of the projects will incorporate storage and some efficiency measures. State match will be provided in the form of MnCIFA funds.

MnCIFA expects to receive approval for a total loan of \$120 million from the LPO before the end of CY24. MnCIFA has three years to disburse the loan. The first series of projects will be financed with MnCIFA funds. Once the projects are completed, MnCIFA will seek reimbursement from the LPO loan in approximately \$5 million increments. MnCIFA will use the LPO reimbursement to finance subsequent projects. MnCIFA anticipates completing between 250 to 300 projects per year for a total of over 800 projects over three years.

Inflation Reduction Act-Greenhouse Gas Reduction Fund: The EPA has awarded \$5 billion to the Coalition for Green Capital and MnCIFA is a sub awardee in the amount of \$25 million. These funds will be used to fund, through various loan products, projects that reduce greenhouse gas emissions. Loans will be made to various project developers and the loans will be repaid to MnCIFA. As loans are repaid, those funds will be deployed into the next series of project fundings. These grant funds will be blended with other MnCIFA funds to leverage its funding and increase the overall positive environmental impact. MnCIFA will also use these funds to attract other partnership investments, particularly from the philanthropic community. The grant funds are expect to be awarded to MnCIFA in the fourth quarter of 2024 and to be fully deployed before the second quarter of 2025.