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HOUSE FILE No. 680

FOURTH COMMITTEE ENGROSSMENT

February 9, 2009

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The bill was read for the first time and referred to the Committee on Finance

March 16, 2009

By motion, recalled and re-referred to the Committee on Commerce and Labor

March 18, 2009

Committee Recommendation and Adoption of Report:
To Pass as Amended and re-referred to the Committee on Finance

Referred by Chair to Higher Education and Workforce Development Finance and Policy Division.

March 12, 2009

Returned to the Committee on Finance as Amended.

1.1 A bill for an act
1.2 relating to energy; providing direction for the use of federal stimulus funding
1.3 for energy programs; proposing coding for new law in Minnesota Statutes,
1.4 chapter 216B.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[216B.2405] PUBLIC BUILDING ENERGY SAVINGS REVOLVING**
1.7 **LOAN FUND.**

1.8 Subdivision 1. **Establishment.** A public building energy savings revolving loan
1.9 fund is established as an account in the special revenue fund. The commissioner of finance
1.10 shall credit to the account the amounts authorized under this section and appropriations
1.11 and transfers to the account. Earnings, such as interest, dividends, and any other earnings
1.12 arising from fund assets, must be credited to the account.

1.13 Subd. 2. **Deposits.** (a) Owners of projects that have received stimulus funds under
1.14 section 4 must annually deposit in the account 30 percent of the monetized energy savings
1.15 realized that are attributable to the stimulus funds until the payback period is ended, as
1.16 determined by the Office of Energy Security.

1.17 (b) Owners of projects that have received loans under this section must annually
1.18 deposit in the account 30 percent of the monetized energy savings realized that are
1.19 attributable to the loan until the payback period is ended, as determined by the Office
1.20 of Energy Security.

1.21 Subd. 3. **Expenditures.** Money in the account is appropriated to the commissioner
1.22 of commerce for the purpose of making loans to improve the energy efficiency of local
1.23 government and school district buildings. Loans made under this section must be

2.1 consistent with the principles contained in section 2 and the financing terms contained in
2.2 section 4.

2.3 Subd. 4. **Administration.** (a) Applications for a loan under this section must be
2.4 made in a manner and on forms prescribed by the Office of Energy Security. Loans to
2.5 eligible projects must be made in the order in which complete applications are received by
2.6 the commissioner of commerce.

2.7 (b) The Office of Energy Security must establish procedures for the loan application
2.8 process, criteria which must be met in order for loan applications to be approved, and
2.9 other provisions necessary to administer the loan program, including, but not limited to,
2.10 the maximum interest rate that may be charged for a loan.

2.11 Sec. 2. **FEDERAL STIMULUS FUNDING; GENERAL PRINCIPLES FOR**
2.12 **ENERGY PROGRAMS.**

2.13 Subdivision 1. **Definition.** For the purposes of sections 1 to 7, "stimulus funding" or
2.14 "funding" means federal stimulus funding provided to the state by the federal stimulus
2.15 funding legislation for energy programs, including, without limitation, energy programs
2.16 described in sections 2 to 7.

2.17 Subd. 2. **Stimulus fund allocation and use principles.** To the extent allowed by
2.18 federal law and regulation, stimulus funding shall be allocated and expended according to
2.19 the following principles:

2.20 (1) project administrators, including the Office of Energy Security, shall maximize
2.21 job retention and creation and optimize energy conservation and demand reduction that
2.22 can be achieved by stimulus funding;

2.23 (2) consistent with the job retention and creation and energy conservation goals,
2.24 projects shall be selected based on relative cost-effectiveness and achieving the maximum
2.25 ongoing energy savings per stimulus dollar spent and the ability to meet federal deadlines
2.26 for the obligation and expenditure of federal stimulus funds;

2.27 (3) stimulus funding must be used for projects geographically distributed across
2.28 the state;

2.29 (4) whenever practical, stimulus funds should be coordinated with existing
2.30 utility conservation programs and other leveraged funds. Preference must be given
2.31 to loan programs and other programs that coordinate with and leverage existing utility
2.32 conservation programs and private dollars, and to projects whose owners agree to deposit
2.33 at least 30 percent of energy savings funds attributable to stimulus funding into the public
2.34 building energy savings revolving loan fund account established in section 1;

3.1 (5) preference should be given to projects with jobs that pay a living wage and
3.2 protect the occupational health and safety of the workers;

3.3 (6) consideration in all projects should be given to achieving high indoor air quality;
3.4 and

3.5 (7) project administrators, include the Office of Energy Security, the Department
3.6 of Administration, the Department of Education, and the Minnesota Housing Finance
3.7 Authority, must comply with the disadvantaged business enterprise outreach requirements
3.8 in Minnesota Statutes, section 16C.16, subdivision 4.

3.9 Subd. 3. **Action plan.** The Office of Energy Security, in coordination with the
3.10 Departments of Education and Administration, shall develop an action plan to spend
3.11 stimulus funds consistent with this section. This plan must include application procedures
3.12 for funding and the development of a system to track all funds expended, energy savings
3.13 caused, the number of jobs, and the wage level of jobs retained and created by the
3.14 investment of stimulus funding. The Office of Energy Security may retain, select, and hire
3.15 contractors to assist in the development of the plan and tracking system using expedited
3.16 procurement procedures.

3.17 **Sec. 3. WEATHERIZATION.**

3.18 Subdivision 1. **Allocation of funds.** All stimulus funds for weatherization must be
3.19 allocated by the director of the Office of Energy Security, consistent with federal allocation
3.20 requirements and state allocation formulas in the state weatherization plan. Existing
3.21 providers of weatherization services must be fully utilized, consistent with effective
3.22 program delivery, before additional providers of weatherization services are added.

3.23 Subd. 2. **Rental units.** Programs that include rental units shall be developed,
3.24 including developing procedures to increase low-income rental unit participation in
3.25 programs. Priority shall be given to serving the largest number of new weatherization
3.26 clients consistent with federal eligibility requirements.

3.27 **Sec. 4. LOCAL GOVERNMENT AND SCHOOL DISTRICT BUILDING**
3.28 **RENOVATIONS.**

3.29 The Office of Energy Security must coordinate the use of stimulus funds with the
3.30 local public building enhanced energy-efficiency program under Minnesota Statutes,
3.31 section 216C.43. The Office of Energy Security shall prioritize lighting upgrades,
3.32 energy recommissioning, and other cost-effective energy projects that are ready for
3.33 immediate implementation. Energy-efficiency conservation block grants and state energy
3.34 program funds may be used to advance local public building enhanced energy-efficiency

4.1 program projects by either reducing energy bills during a savings repayment period or by
4.2 decreasing the number of years for payback of energy improvement investments, provided
4.3 that at least 60 percent of a project's funding is provided by the local governmental unit
4.4 or school district, the local public building enhanced energy-efficiency program under
4.5 Minnesota Statutes, section 216C.43, or another local governmental unit or school district
4.6 financing program. The Office of Energy Security shall coordinate with the Department
4.7 of Education in prioritizing school district projects, consistent with the principles of
4.8 statewide geographic distribution of projects, optimized energy savings, and an improved
4.9 learning environment for schoolchildren.

4.10 **Sec. 5. STATE GOVERNMENT BUILDINGS.**

4.11 The Office of Energy Security and the Department of Administration shall
4.12 develop a joint plan and joint procedures to select, fund, and implement projects using
4.13 stimulus funds. The joint plan and procedures shall prioritize lighting upgrades, energy
4.14 recommissioning, and other cost-effective energy projects that are ready for immediate
4.15 implementation. Energy-efficiency conservation block grants and state energy program
4.16 funds may be used to advance the state public building enhanced energy-efficiency
4.17 program under Minnesota Statutes, section 16B.322, projects by either reducing energy
4.18 bills during a savings repayment period or decreasing the number of years for payback of
4.19 energy improvement investments, provided that at least 60 percent of a project's funding is
4.20 provided through the state public building enhanced energy-efficiency program.

4.21 **Sec. 6. RESIDENTIAL WINDOW REPLACEMENT PROGRAMS.**

4.22 The Office of Energy Security must establish a program to fund a window
4.23 replacement and insulation program for existing housing occupied by low- or
4.24 moderate-income households. The development and implementation of this financing
4.25 program must be coordinated with the Minnesota Housing Finance Agency and existing
4.26 lead abatement programs.

4.27 **Sec. 7. TRAINING AND WORKFORCE DEVELOPMENT.**

4.28 (a) The Department of Employment and Economic Development, in consultation
4.29 with the Office of Energy Security and the Office of Higher Education, shall develop a
4.30 plan and procedures to:

4.31 (1) allocate stimulus funds to training programs to train energy professionals needed
4.32 to implement the energy programs described in sections 3 to 6, including but not limited to
4.33 energy auditors, energy managers, and building operators;

- 5.1 (2) coordinate, oversee, and monitor the training and certification of energy
5.2 professionals; and
- 5.3 (3) allocate funding for the purposes of clauses (1) and (2) and to training providers.
- 5.4 (b) Training strategies must be designed to meet the wide range of facilities
5.5 managers and building sizes and types, and must protect the occupational health and safety
5.6 of workers employed on these energy projects. Technical skills training must include
5.7 insulation, air sealing, and mechanical work.
- 5.8 (c) The plan must include procedures to:
- 5.9 (1) train individuals already employed in implementing energy programs;
- 5.10 (2) recruit individuals for training to perform work in energy projects using
5.11 stimulus funding who are unemployed, especially targeting communities experiencing
5.12 disproportionately high rates of unemployment, including but not limited to low-income,
5.13 rural, or tribal communities and individuals in construction trades and crafts; and
- 5.14 (3) ensure that the full capacity of current training providers is utilized, including but
5.15 not limited to opportunities industrialization centers, skilled trades labor unions, tribal
5.16 colleges or nonprofits working in tribal communities, community action partnerships,
5.17 higher education institutions, and nonprofit organizations with demonstrated expertise
5.18 in energy efficiency.

5.19 **Sec. 8. ACCOUNTABILITY AND TRANSPARENCY REPORTING.**

- 5.20 The director of the Office of Energy Security shall, after compiling information
5.21 supplied by the Departments of Administration, Education, Employment and Economic
5.22 Development, and the Office of Higher Education, report on the progress of the programs
5.23 funded under sections 3 to 7 to the house of representatives and senate committees with
5.24 jurisdiction over energy finance and bioscience and workforce development policy and
5.25 oversight by May 1, 2009, September 1, 2009, January 15, 2010, April 1, 2010, and
5.26 September 1, 2010. The report shall include a complete accounting of all stimulus funds
5.27 spent on the programs funded under sections 3 to 7, including, but not limited to:
- 5.28 (1) the specific projects funded, including the location, building owner, and project
5.29 manager;
- 5.30 (2) the number of jobs retained or created by each project;
- 5.31 (3) the average wage of the jobs created or retained;
- 5.32 (4) the total calculated and actual energy savings for each project;
- 5.33 (5) the remaining balances in each stimulus fund;
- 5.34 (6) the nonstimulus funding leveraged by stimulus funds for each project;
- 5.35 (7) the current and projected deposits into the energy savings endowment fund;

6.1 (8) the training courses provided, including the location and provider of courses
6.2 offered, the funding source for each training course, and the total number of trainees; and

6.3 (9) compliance with federal and state wage, veterans, and disadvantaged business
6.4 enterprise requirements.

6.5 **Sec. 9. EFFECTIVE DATE.**

6.6 Sections 1 to 8 are effective the day following final enactment.