



**coalition for green capital**

# **Nevada Green Bank Study Deliverable 6 – Green Bank Forms & Next Steps**

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# Project Deliverables

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*Review*

(1) Market & Policy Review

(2) Green Bank Review

(3) Market Sizing

*Synthesis*

(4) Financing Gaps & Needs Assessment

*Recommendations*

(5) Green Bank Financing Solutions

(6) Green Bank Form & Next Steps

# Study finds that NV Green Bank can fill market gaps, animate private markets and lower energy costs

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Existing policies & mechanisms in Nevada to support clean energy markets are losing strength

Financing gaps, lack of information and other market inefficiencies slow billions of dollars of potential investment

A Nevada Green Bank could drive significant private investment and economic growth while lowering energy costs

# Primary considerations for Green Bank creation are legal authority, structure and funding

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- *Is Green Bank Activity Legal in Nevada?*
  - Constitution limits direct lending or investment of public dollars in private businesses, unless through nonprofit
  - There are precedents and structures to navigate this
- *What is Optimal Structure & Location for GB?*
  - Directly within government? A new corporation?
  - Which structure fits within legal constraints?
- *How will Green Bank be Funded?*
  - Will it receive direct seed capital (grant) from the state?
  - Will it receive ratepayer funding?
  - Will it have bonding authority?

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- 6.1 – Potential Green Bank Structures
- 6.2 – Legal Process
- 6.3 – Green Bank Capital Sources
- 6.3 – Next Steps

# Green Banks are typically part of government, quasi-public or affiliated non-profits

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## Organization Placement – New or Repurposed

Government Agency

Quasi-Independent

Independent Non-  
Profit

## Institutional Examples of Each Structure

- Government Agency – NY Green Bank
- Quasi-Public – CT Green Bank, RIIB, Hawaii GIA, CA CLEEN Center
- Non-Profit – Montgomery County Green Bank (Michigan Saves is GB-like)

**Best option for Nevada depends on existing institutional authorities and legal requirements.**

# Given NV constitutional limitations, creation of non-profit to be Green Bank is most viable option

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## Public Lending to Private

- Direct lending or investment of public money to private entities is uncommon due to constitutional prohibition
- Means that a government agency itself likely cannot act as Green Bank because it cannot lend
- However, Nevada can grant state funds to a nonprofit, which then lends and invests in private sector
- Provides clearest pathway for Green Bank creation

“The State shall not donate or loan money, or its credit, subscribe to or be, interested in the Stock of any company, association, or corporation, except corporations formed for educational or charitable purposes.” – Nevada State Constitution

# Nevada Capital Investment Corporation is best example of how Green Bank may be created

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Senate Bill 75 Created Nevada Capital Investment Corporation (NCIC) – a 501(c)(3) under Treasurer

NCIC has Board of Directors with ex-officio member and appointees

Received \$50 million grant in public funds from State Permanent School Fund

NCIC selects Hamilton Lane to manage investments – create Silver State Opportunities Fund

Silvers State Opportunities Fund makes direct investments in Nevada businesses

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# Given this legal precedent, Nevada can consider statutory v. legislative approach to external non-profit

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## Statutory

Use GOE's existing power to create a non-profit corporation

- GOE Director has authority to directly create corporation, aligned with GOE purpose
- Advantage of faster execution
- Benefit of strong relationship with GOE, coordinate activities
- Complexity of securing funding

## Legislative

Create new, purpose-built quasi-public non-profit

- Similar structure to Nevada Capital Investment Corporation
- Purpose-built non-profit with Board defined in legislation
- Can clearly define funding source in a single document
- Longer process, but more buy-in

# Nevada GOE has statutory authority to create nonprofit corporations

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“[GOE may] promote, participate in the operation of, and **create** or cause to be created, any **nonprofit Corporation**...which the Director **determines is necessary or convenient for the exercise of the powers and duties of the Office of Energy**. The purposes, powers and operation of the corporation must be **consistent with the purposes, powers and duties of the Office of Energy**.”

**GOE could directly create a non-profit to serve as Green Bank without any new legislation**

# If Nevada goes legislative route, bill would comprehensive define powers and funding for the GB

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## **Topics Legislation Should Address**

- **Organization Placement & Structure** – Creates and defines the new entity
- **Organization Governance** – Describes the size, makeup, method of appointment and powers of Board of Directors
- **Funding Level & Source** – Identifies specific sources of funding, when it should be given to the GB and what levels
- **Bond Authority** – Outlines specific bonding capabilities and limitations on recourse
- **Types of Investment** – Can specifically enumerate the financing tools allowed, or give broad authority
- **Eligible Technologies & Projects** – Lists the specific kinds of clean energy technologies that can be financed
- **Related Mechanisms & Powers** – May define GB powers as it relates to PACE and/or on-bill financing

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# State should consider all possible sources of funds, including bonds, prioritizing those that are accessible

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<b>Upfront Initial Capitalization</b>	<b>Recurring Revenue Stream</b>	<b>Bond Issuance Structures</b>
Budget Appropriations	Ratepayer Surcharge	GB General Bonds
Renewable Energy Fund	Renewable Energy Funds	Project-Specific bonds
Recently-Cut DSM Funds		Revenue Stream Bonds
Potential Federal Dollars		Federal QECBs
Foundation Grants		Industrial Revenue Bond

Green Bank can receive an upfront capitalization to create capital base, receive continued funding for on-going support, and have bonding authority to recycle and leverage capital.

# Upfront capitalization is critical, as it supports start-up costs and signals desire to impact the market

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- Budget Appropriations
  - Simplest and most direct way to fund a Green Bank
- Renewable Energy Fund Balance
  - Can re-purpose funds collected through renewable project property taxes, as part of tax abatement program
- Recently-Cut DSM Budget Funds
  - \$10 million in recent DSM budget cuts for NV Energy can be put towards financing to preserve over-time while still supporting EE
- Federal Resources
  - USDA/RUS and DOE programs designed to support Green Banks
  - New potential federal Green Bank would seed state entities
- Foundation Donations
  - Other Green Banks have received donations or low-cost program-related investments to support targeted investments

# PUCN itself has proposed new structure for using DSM funds more efficiently outside utility purview

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As Presented by PUCN staff to Clean Energy Task Force:

**“Staff proposal would be to take DSM out of utility resource planning and give same budget to private providers (who could then bid DSM projects/ programs into an RFP). This would ensure that ratepayers got the most DSM out of their funding.”**

# On-going, dedicated funding streams support a growing capital base and provide Green Bank stability

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- Renewable Energy Fund Stream

- Renewable Energy Fund will continue to receive property tax collections on existing projects for a set term (20 years from commencement, subject to depreciation); these funds can be dedicated to Green Bank

- Ratepayer Funds

- PUC could create new ratepayer surcharge to collect funds for GB
- Similar to funding mechanisms of other Green Banks
- Could be capped after number of years or capital collected
- Could effectively recapture the DSM funds that were cut last year
- More cost-effective use of public funds, used for loans, not rebates
- With surcharge, rather than current rate-base system, would also avoid expense of 15% rate of return on funds collected

# Various bond structures can allow Green Bank to access more, cheaper capital and recapitalize

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- Green Bank General Obligation Bonds
  - Green Bank could issues its own bonds, backed by its own credit
- Project Specific Bonds
  - Can issue bonds that only have recourse to a specific project, repaid by stream of repayments from that project
- Revenue Stream Bonds
  - If Green Bank had a dedicated stream of revenue, could bond against that future cash flow, similar to Hawaii GIA
- Qualified Energy Conservation Bonds
  - State and local governments still have nearly \$20 million in federally-subsidize bonding capacity, sits unused
  - Green Bank could pool that capacity for efficient allocation and issuance
- Industrial Development Revenue Bonds
  - Green Bank could partner with DBI to use existing tax-exempt bond program

# Of potential funding sources, most are technically accessible without legislative action

**Statutory approach requires piecing together multiple existing sources of funds. Only thing completely unavailable without legislation is direct appropriation from the General Fund.**

Potential Funding Sources	Available Under:	
	Statutory Approach	Legislative Approach
Direct Budget Appropriations	No	Yes
Re-directed DSM Funds	Yes (through PUC)	Yes (still requires PUC)
Renewable Energy Fund	Yes	Yes
Qualified Energy Conservation Bonds	Yes (through Executive Order)	Yes
Other Bonding Structures	Yes (via direct bonds or w/DBI)	Yes
Federal Funds	Yes	Yes

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# To move forward with implementation, Nevada would choose legislative or statutory route

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- Study recommends prioritizing Legislation before moving to Statutory route
  - Advantage of more clearly defining institution and funding, signals stronger mandate for action
- Legislation could come through multiple routes
  - Interim Energy Committee (or its members) could advance BDR
  - New Energy Task Force could recommend BDR to Governor
    - Governor could directly introduce or could have GOE lead effort
  - Individual legislator could advance BDR separate from these efforts
- If Legislative path isn't viable, then GOE can still move forward with Statutory approach

# Key Takeaways

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- There is legal authority and precedent for a Green Bank in Nevada
- Requires creation of nonprofit– cannot be direct public lending from government to private sector
- Could pass legislation to create, or use GOE’s existing statutory authority to create non-profits
- Most funding sources are still available through statutory approach; potential for repurposing or granting to the GB
- Legislation to create, define and fund the Green Bank is cleanest and most robust approach, but statutory may be necessary



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# Thank You & Appendix

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