


Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: April 30, 2018

SUBJECT: Fiscal Impact Statement – Green Finance Authority Establishment Act of 2018

REFERENCE: Bill 22-257, Draft Committee Print as shared with the Office of Revenue Analysis on April 25, 2018

Conclusion

Funds are sufficient in the fiscal year 2018 budget and the proposed fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill.

The District will capitalize the District of Columbia Green Finance Authority (“DC Green Bank”) at \$7 million annually for a total of \$35 million from the Renewable Energy Development Fund (REDF)¹ over the fiscal year 2018 through fiscal year 2022 period.

Background

The bill establishes the DC Green Bank as an independent District government instrumentality. The DC Green Bank will be governed by an 11-member board of directors, that includes the District’s Chief Financial Officer as a non-voting member, and led by an executive director. The executive director may hire any employees, consultants, technical advisors, accountants, underwriters, or legal counsel needed in order evaluate prospective funding opportunities or enhance the DC Green Bank’s ability to attract private capital.

The bill authorizes the DC Green Bank to issue loans, loan guarantees, credit enhancements, and grants to support sustainable projects and programs in the District. The bill defines sustainable projects and programs as clean energy, clean infrastructure, clean transportation, stormwater management, energy efficiency, water efficiency, and green infrastructure projects and programs.

¹ Renewable Energy Portfolio Standard Act of 2004, effective April 12, 2005 (D.C. Law 15-340; D.C. Official Code § 34-1436).

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The DC Green Bank will also take over administration of the DC PACE Program that provides financing to commercial entities for energy efficiency improvements.²

The District will capitalize the DC Green Bank with five annual \$7 million transfers from fiscal year 2018 through fiscal year 2022 from the REDF to the newly established Green Finance Authority Fund (Fund). The DC Green Bank may also deposit other appropriated funds, donations, federal funds, loan repayments, and other fees into the Fund. The DC Green Bank is not required to repay any funds the District transfers to it during fiscal year 2018 through fiscal year 2022. The bill authorizes the DC Green Bank to expend funds for administrative costs as needed, but beginning in its third year of operation, these costs are limited to no more than 15 percent of its capital base.

Beyond the initial capitalization provided by the District, the bill authorizes the DC Green Bank to issue bonds and to borrow or lend money to support sustainable projects. These financial instruments would be backed by the DC Green Bank's own revenue sources and assets. The DC Green Bank can also issue bonds to finance the purchase of office space. The District's faith, credit, and taxing power will not support any bonds issued by the DC Green Bank.

The DC Green Bank must file an annual report with the Mayor and Council and make it available to the public on its website. The annual report includes an audited financial statement, a description of the DC Green Bank's activities from the prior year, and any recommendations for the Mayor or Council that support the DC Green Bank's activities. The DC Green Bank must also hold an annual hearing on its performance. Entities that receive financing from the DC Green Bank must also provide the DC Green Bank with annual financial statements. Within four-years of the DC Green Bank's authorization, it must provide a three-year assessment of its activities and any additional public funding needs.

The bill exempts the DC Green Bank's assets and income from all District taxation, and exempts interest earned on any DC Green Bank-issued bonds from District income taxation.

The bill also exempts the DC Green Bank from most of the District's procurement laws,³ Small and Certified Business Enterprise laws,⁴ and First Source requirements,⁵ as well as specifying that DC Green Bank employees are not considered District government employees. The DC Green Bank will be subject to open meeting requirements⁶ and procurement laws for contracts over \$1 million.⁷

In the United States, five states and one county have Green Banks at various stages of maturity, levels of funding, and structure. The states are Connecticut, Hawaii, New York, California, and Rhode Island. Montgomery County, Maryland is the only non-state jurisdiction to have its own Green Bank.

² Energy Efficiency Financing Act of 2010, effective May 27, 2010 (D.C. Law 18-183; D.C. Official Code § 8-1778.01 et seq.).

³ District of Columbia Procurement Practices Act of 1985, effective February 21, 1986 (D.C. Law 6-85; D.C. Official Code § 2-301.01 et seq.).

⁴ Small and Certified Business Enterprise Development and Assistance Act of 2005, effective October 20, 2005 (D.C. Law 16-33; D.C. Official Code § 2-218.01 et seq.).

⁵ First Source Employment Contract Act of 1984, effective June 29, 1984 (D.C. Law 5-93; D.C. Official Code § 2-219.01 et seq.).

⁶ Open Meetings Act, effective March 31, 2011 (D.C. Law 18-350; D.C. Official Code § 2-571 et seq.).

⁷ District of Columbia Home Rule Act, approved December 24, 1973 (Public Law 93-198; D.C. Official Code § 1-204.51).

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Financial Plan Impact

Funds are sufficient in the fiscal year 2018 budget and the proposed fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill.

The REDF receives approximately \$20 million per year in payments from the District's electricity providers for their failure to comply with the District's renewable energy generation requirements. The Department of Energy and Environment (DOEE) has allocated \$7 million of these funds annually from fiscal year 2018 through fiscal year 2022 for transfer to the Fund to capitalize the DC Green Bank at a total of \$35 million. DOEE will also initially provide office space and allocate additional personnel and funds for startup assistance, which it can do with resources included in the REDF's proposed budget.

The bill limits the DC Green Bank's administrative costs to 15 percent of its capital base beginning in the third year of operation. This administrative allocation will be used to support the salaries of the executive director and other staff, any necessary consulting services, office space, and other non-personnel expenses. DOEE expects administrative costs to be higher in the first two years of operation, but believes the 15 percent cap beginning in Year Three will be sufficient to successfully operate the DC Green Bank.

The bill grants the DC Green Bank the appropriate authorities for it to issue loans and debt and ensures that the District's faith, credit, and taxing power are not relied upon to support any debt service payments. Debt issued by the DC Green Bank will not be subject to the District's debt issuance limit.

The DC Green Bank will be an independent instrumentality of the District and therefore the District will not tax any of its future assets and income. Exempting income earned on DC Green Bank-issued bonds from District taxation is also consistent with District tax treatment of other bonds issued by instrumentalities of the District government and therefore does not have a fiscal impact.