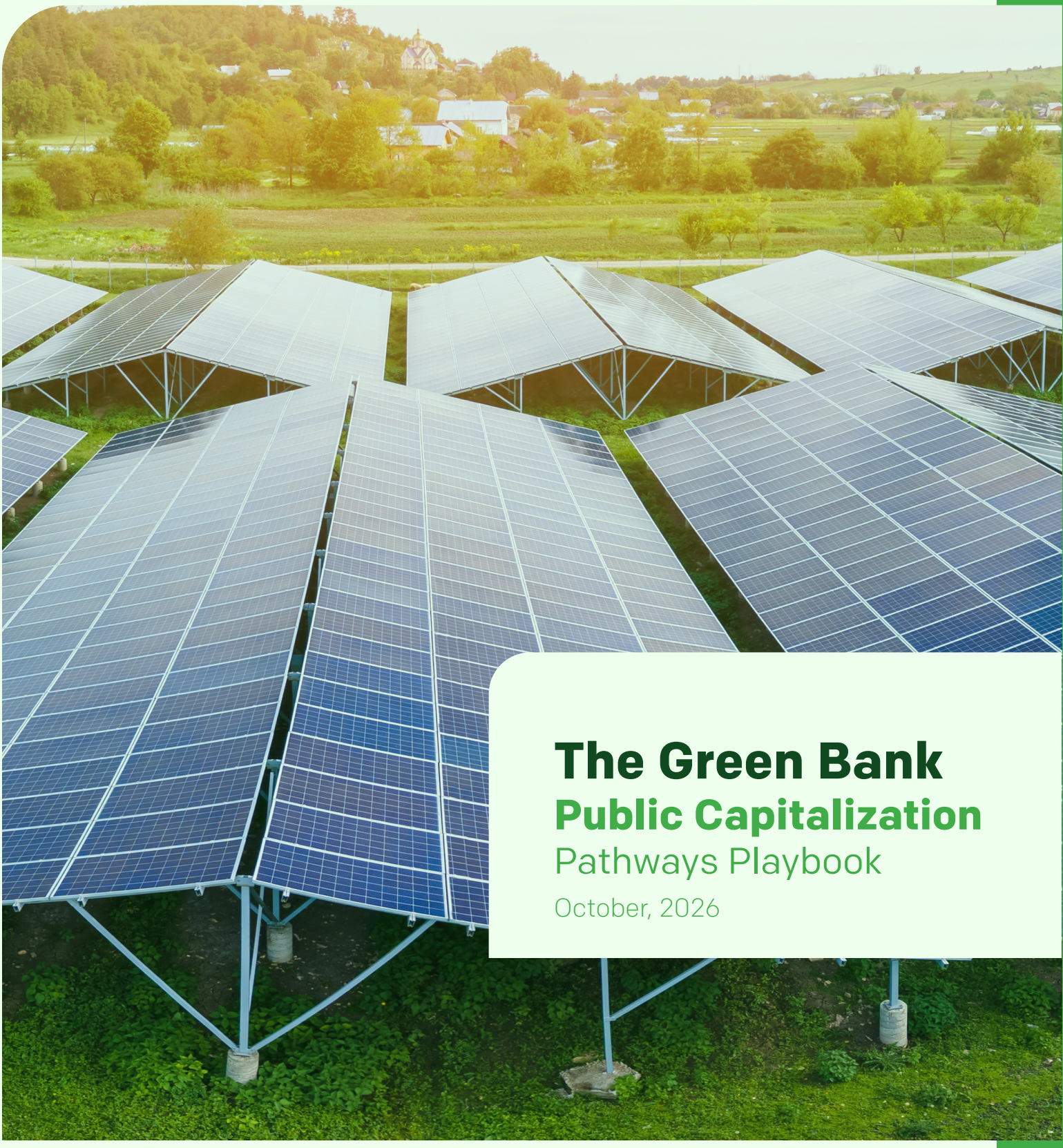
U.S. GREEN BANK 50

STATE SUPPORT CENTER

S2 Strategies



# The Green Bank

## Public Capitalization

## Pathways Playbook

October, 2026

# Table of Contents


| | | |
|---|---|---|
| | The Critical Role of Green Banks in Our Communities | 04 |
| | How to use this Playbook | 05 |
| 01 | Legislative Pathways: Statutory Levers to Capitalize a Green Bank | 06 |
| 02 | Debt Market Capitalization Pathways | 10 |
| 03 | State Small Business Credit Initiative (SSBCI) | 16 |
| 04 | USDA Rural Energy Savings Program (RESP) | 24 |

05 Settlement & Mitigation Funds 28

06 Clean Water State Revolving Fund (CWSRF) 32

07 REC Monetization 38

08 Emerging Pathways 42

09 Conclusion 46

10 Appendix 1 48
Case Studies: Green Bank Bond Authority

11 Appendix 2 50
State Examples of Funding for Green Banks

# The Critical Role of **Green Banks in Our Communities**




*Community Ventures*

Green Banks address systemic financial barriers in the deployment of clean energy technologies. Clean energy and resiliency projects can lower energy bills, harden critical facilities, and build local wealth, yet the projects that deliver those benefits in disadvantaged and underserved communities are often overlooked by mainstream capital. Without local institutions built to reach these markets, the communities that stand to gain the most may be left out of the benefits of the clean energy transition. Green Banks aim to close that gap.

The majority of Green Bank investments benefit low-income and disadvantaged communities (LIDAC).[1] Energy burdens disproportionately impact low-income communities, as a quarter of low-income households spend more than 15% of their income on energy, and two in five spend more than 10%.[2] A new heating and cooling system, a rooftop solar array, or a weatherization retrofit could cut those costs, yet the upfront expense puts them out of reach without accessible capital.

Green Banks now operate in nearly every state across the country. However, most of these Green Banks remain undercapitalized relative to the scale of clean energy and climate investment required. With previously committed federal support uncertain and state budgets constrained, there is a need to look to additional sources of capital for these critical institutions. This playbook is a practical guide for pathways to unlock capital for clean energy and emissions reduction projects through community-driven lending institutions. Built from extensive conversations with experts and Green Bank leaders who have navigated challenging capitalization journeys, this reference document is intended for state leaders, Green Bank executives, and other policymakers who aim to bolster the lending potential of their institutions.

# How to use this **Playbook**

This playbook is designed to serve two complementary purposes. First, it functions as a structured menu of capitalization and credit-support mechanisms that governors' offices, state legislators, Green Bank leaders, and allied policymakers can consult to quickly identify financing levers that may be available in their states. Each chapter describes a distinct mechanism, explains how it works in accessible terms, assesses practical and political barriers to implementation, and highlights real-world precedents. Readers are encouraged to use these chapters as a starting point for internal discussion and prioritization, rather than as a prescriptive implementation guide. State offices unfamiliar with Green Banking should first read the GB 50 Impact Report[3] to understand the far-reaching potential of devoting resources to these catalytic institutions.

Second, this playbook is intended to catalyze deeper, state-specific engagement. The feasibility of any given pathway will depend on a state's existing institutions, statutory authorities, and other political conditions. Where a mechanism appears promising, the appropriate next step is a more tailored analysis of the state's specific context. The U.S. GB 50[4], S2 Strategies' State Support Center[5], and their partners are available to support that follow-on work on a case-by-case basis.



[1] U.S. Green Bank 50 Annual Impact Report 2026 https://www.usgreenbanks.org/green-banking-in-action
[2] American Council for an Energy-Efficient Economy. (2024, September 11). Study: One in four low-income households spend over 15% of income on energy bills. ACEEE News & Insights.
[3] https://www.usgreenbanks.org/green-banking-in-action
[4] https://www.usgreenbanks.org/
[5] https://www.s2strategies.org/state-support-center

# 01 Legislative Pathways: **Statutory Levers to Capitalize a Green Bank**

- ☑ A direct appropriation is the strongest starting point for a Green Bank, it puts capital directly on a Green Bank's balance sheet and signals state backing.
- ☑ Lead with a quantified value proposition. Private capital leverage ratios, job creation, and emissions reduction potential have been successful factors in previous Green Bank capitalization campaigns.

## Budget Appropriations

Direct appropriations are often the preferred pathway to capitalize a Green Bank, as they can provide a large capital injection and demonstrate a deep partnership with the state government. Twenty-nine Green Banks have received some type of capitalization from their state or local government, but the form and amount vary. In the 2026 legislative sessions, the state of Washington provided $25 million from its cap-and-invest program to capitalize the newly established Washington Builds, Maryland recapitalized the Maryland Clean Energy Center with an additional $27 million, and California is poised to provide $325 million for the Transmission Infrastructure Accelerator at the California Infrastructure and Economic Development Bank (IBank). These investments have proven to be catalytic in recycling investment into the state's economy. For example, in 2021, Colorado allocated $30 million to the Collective Clean Energy Fund. Within three years, the fund grew to mobilize more than $163 million.[6]

The legislative pathway to Green Bank capitalization can involve the complex process of navigating sponsors, committees, competing budget priorities, and the politics of a given session. But when it succeeds, placing even a one-time infusion of capital directly on a Green Bank's balance sheet has been shown to carry long-lasting impacts. Budget appropriations are not the focus of this playbook, but where a direct appropriation is achievable, it is almost always the strongest starting point, and the other mechanisms are best understood as complements or fallbacks. See Appendix 2 for examples of Green Banks capitalized directly by their states for context.

[6] Paul Sharfenberger, "The power of strategic investment: Colorado's model for green finance," Colorado Newsline, November 27, 2024 (coloradonewsline.com).

# Capitalizing Green Banks through Cap-and-Invest Programs



In a cap-and-invest program, the government sets a limit ("cap") on total emissions for covered sectors and industries, issues a fixed number of allowances (permission to emit one metric ton of $CO_2$) up to that cap, and lets regulated emitters buy, sell, and trade those allowances among themselves. These market-based systems require large emitters to purchase allowances through auctions or secondary markets under a cap that declines over time, and the auction revenue can be dedicated to clean energy and climate investment. The oldest of these regimes, the Regional Greenhouse Gas Initiative (RGGI), had, from its launch in 2009 through 2020, contributed to a 46% reduction in carbon emissions, raised $3.8 billion in allowance proceeds, produced $5.7 billion in net economic benefits, and added 48,000 job-years — and has continued to scale those benefits.[7] The revenue from these markets has been used to sustain a funding source for climate and economic development programs, including capitalizing Green Banks.

Washington's Climate Commitment Act (CCA) was signed in 2021 to commit the state to reducing emissions by 95% by 2050, and it raises revenues for a robust array of rebates, incentive programs,[8] and grants.[9] The CCA's cap-and-invest program,[10] launched January 1, 2023, sets a declining, legally binding cap on emissions and requires covered entities to purchase allowances for each metric ton of greenhouse gases they emit, with quarterly auction revenue reinvested in emissions-reduction, climate-resilience, and public-health projects. Recently, these funds were used to capitalize Washington Builds, the state's Green Bank. California's cap-and-trade system provides funding for a variety of climate and clean energy projects,[11] and in its latest reauthorization directed its first allocation to a revolving fund at IBank for green lending.

[7] https://www.analysisgroup.com/Insights/cases/the-economic-impacts-of-the-regional-greenhouse-gas-initiative-on-northeast-and-mid-atlantic-states/
[8] https://climate.wa.gov/save-money-rebate-and-incentive-programs
[9] https://fundhub.wa.gov/
[10] https://ecology.wa.gov/air-climate/climate-commitment-act/cap-and-invest
[11] https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/cci_annual_report_2024.pdf




## Barriers

Appropriated clean energy and climate funds through state legislation can provide a catalytic influx of capital for state climate finance, but require the state legislature to pass relevant legislation or voters to pass ballot measures. A one-time appropriation can capitalize a fund but does not guarantee replenishment. Recurring appropriations must survive annual or biennial budget cycles and shifting administrations. Cap-and-invest programs are major undertakings requiring legislative, gubernatorial, and public alignment, and they can face direct repeal efforts even after enactment. Ballot measures introduce their own campaign and messaging demands and, depending on the state, may be constrained by revenue or tax-and-expenditure limits.



## Recommended Actions

1. Where a Green Bank pursues a direct appropriation, it should demonstrate how the direct appropriation would enable a concrete, quantified value proposition, such as private capital leveraged per public dollar, projects and jobs supported, and/or emissions reduced.
2. Where a state has or is contemplating a carbon market, the Green Bank should work early with legislators and agencies to secure a dedicated set-aside of auction revenue for clean energy lending.
3. A state can also call on its utilities to collaborate with the Green Bank to increase the uptake of energy efficiency programs, the deployment of distributed energy resources, and other state clean energy priorities. Green Banks have a strong record of partnering to deliver home energy rebate programs and of expanding access to more equitable utility energy efficiency programs, on-bill financing programs, or Inclusive Utility Investment (IUI) programs designed to alleviate energy burdens.[12]

[12] https://www.usgreenbanks.org/green-banking-in-action

# 02 Debt Market Capitalization Pathways

- ☑ Debt tools are varied. Selecting the correct debt instrument calls for careful consideration with counsel (e.g., bond counsel, a municipal financial advisor, and other consultants).
- ☑ State agency collaboration is ideal, but not required, to use debt issuance.
- ☑ Direct issuance is usually most realistic for established public Green Banks, Green Banks embedded in public finance authorities, or Green Banks with a strong balance sheet.



*NYCEEC*

Debt is one of the main ways Green Banks raise capital to fund clean energy loans, whereby the Green Bank borrows money up front from investors or lenders and repays it over a set term with interest. States, municipal governments, and institutions (such as conduit issuers with public-benefit qualifications) to which the state has given "bonding authority" can issue bonds to secure upfront capital from the private markets in exchange for interest paid over time. Given the low borrowing cost of the state, states can secure a considerable amount of low-cost capital, then deploy it into clean energy and climate resiliency projects that drive cost savings for communities. Every state has at least one agency or authority with some form of borrowing or bond issuance power, usually granted by the legislature and historically used for public infrastructure such as roads, schools, water systems, housing, and economic development. Green Banks that sit inside a public authority with bonding powers, or are closely affiliated with a state or local entity as a quasi-public institution, can issue bonds directly for their own capitalization. For Green Banks or state lending authorities that do have direct borrowing powers, debt issuance can transform a modestly capitalized institution into a larger revolving lender. Instead of relying only on annual appropriations or grants, the Green Bank can raise upfront capital, deploy it into clean energy loans or investments, and repay investors over time from loan repayments, program revenues, assessments, appropriations, or other pledged sources.

Fewer than a third of Green Banks are able to issue public bonds given their organizational structure. The Green Banks that sit within or alongside state finance authorities, economic development or housing agencies, infrastructure banks, or other public issuers are often able to issue directly or by conduit (where another entity issues the debt on its behalf). Some Green Banks are quasi-public entities (with or without statutory power to issue bonds) and many are 501(c)(3) nonprofits. How a Green Bank accesses debt depends largely on this legal structure.





## The four main pathways are:

1. Issuing bonds directly. Green Banks that sit inside a public authority with bonding powers, or that are quasi-public institutions granted bonding authority by statute, can issue bonds directly to capitalize the bank. Relatively few Green Banks have this power. Being quasi-public does not by itself confer state bonding authority; it often must be granted explicitly by the state.



2. Working through a conduit issuer. Green Banks without their own bonding authority can partner with an existing public authority that already has the legal mandate, infrastructure, and capital-markets credibility to issue bonds, such as a state infrastructure bank, economic development authority, housing finance agency, public benefit corporation, or other special-purpose issuer. In a conduit structure, the public authority issues bonds for the benefit of a Green Bank, its affiliate, a lending program, or a project portfolio. Repayment rests with the Green Bank or the pledged revenue, not the state. The conduit lends the bond its issuing authority and market access, but it does not take on the repayment obligation.



3. Borrowing directly as a nonprofit. Many Green Banks are 501(c)(3) nonprofits. These mission-driven lenders cannot issue public bonds on their own, but they can still borrow. Green Banks can issue notes, enter into loan agreements, accept program-related investments from foundations, borrow from banks or CDFIs, or raise private placement debt from foundations, impact investors, corporations, or community investors. This debt may be unsecured, secured by loan assets, supported by grants or reserves, or structured as subordinate to senior claims. The tradeoff is that nonprofit debt is usually taxable and may carry a higher interest rate unless it is credit-enhanced. Tax-exempt financing through a conduit is possible only if the transaction qualifies under federal tax rules.



4. Accessing debt through credit facilities. Short of issuing bonds or notes, a commercial bank, CDFI, foundation, corporate investor, or public agency may provide a revolving line of credit, term loan, warehouse facility, or forward purchase commitment. Each of these lets a Green Bank originate more loans than it could with its own capital alone. This pathway is often more practical for smaller, newer, or fast-growing Green Banks because it can be negotiated directly with one or a small number of lenders and scaled over time. For example, a Green Bank might begin with a modest secured line of credit, expand into a warehouse facility, then use the seasoned portfolio to support a later bond issuance or secondary market sale.

Credit enhancement can be applied to enhance each of these pathways. A credit enhancement lowers the risk investors or lenders take on and therefore reduces the interest rate or expands investor appetite. Credit enhancement can come from a state, federal, or private/foundation guarantee; a loan loss reserve or philanthropic first-loss layer; or a bank letter of credit.

## Examples from the Market




*Michigan Saves*

Green Banks can create a self-reinforcing cycle of clean energy lending by recycling capital through debt issuance — especially when backed by their existing, proven loan portfolios. The Illinois Finance Authority (IFA), which has a Climate Bank arm, can pledge its performing clean energy loans as collateral for a bond issuance, with estimates that this could unlock roughly $150 million in additional capital on a $450 million portfolio. IFA also operates as a conduit bond issuer, meaning it can issue bonds on behalf of other programs without requiring those programs to build their own issuance infrastructure.

The Connecticut Green Bank has pioneered retail-oriented Green Liberty Bonds backed by revenues from Solar Home Renewable Energy Credits (SHRECs). Launched in 2020 with an inaugural $16.8 million offering rated A+ by S&P Global, the bonds are collateralized by SHRECs generated by state-incentivized residential solar installations. For credit enhancement, the bonds benefit from a statutory provision called the "Special Capital Reserve Fund" or "SCRF," rather than by a direct state pledge. Under the SCRF, the bonds benefit from a fund that covers one year of maximum annual debt service. If the SCRF is ever used to cover any missed debt service, the Connecticut Green Bank is required to replenish the fund. If the Green Bank should fail to replenish the fund, the State Treasurer must replenish the fund, and by statute this requirement is "deemed appropriated" — meaning appropriation risk is averted. As a result, the credit rating agencies confer the General Obligation bond rating of the State of Connecticut on the bonds issued by the Green Bank with the SCRF credit enhancement. The bonds are federally taxable but exempt from Connecticut state income tax.

The Green Liberty Notes program[13] is a retail crowdfunding vehicle that allows individuals to invest as little as $100 in one-year notes backed by the Connecticut Green Bank's lending support of the local utility company's small-business energy efficiency program. Together, the bonds and notes serve three simultaneous purposes: recycling capital back into the lending program, broadening public engagement with green finance, and demonstrating a credit track record for loans of this type to institutional markets.

A 501(c)(3) nonprofit Green Bank can raise debt directly from mission-aligned investors without relying on state bonding authority. This pathway is best suited to nonprofits that lack bonding authority but have a clear mission, a strong portfolio and/or project pipeline, and access to mission-aligned investors. The clearest analogs come from the broader community finance market. Calvert Impact, a nonprofit, has raised capital through Community Investment Notes[14] and used the proceeds to finance mission-driven intermediaries and funds. Enterprise Community Loan Fund has also used impact notes to support affordable housing and community development lending. Additionally, RSF Social Investment Fund and Shared Capital Cooperative offer further examples of note products that turn investor capital into loans for aligned borrowers. Use of these models should be explored with counsel, but a nonprofit Green Bank could use a similar program to raise capital for eligible clean energy lending.

[13] https://www.ctgreenbankbonds.com/connecticut-green-bank-ct/i6126
[14] Calvert Impact, "Community Investment Note," calvertimpact.org.

## Barriers

Early-stage Green Banks still building a track record may not yet have the collateral, repayment history, operating revenue, or public credit support required for an investment-grade bond rating or attractive pricing. Where ratings are pursued, rating agencies such as S&P, Moody's, and Fitch all evaluate the credit quality of underlying assets, issuer capacity, repayment sources, and structural protections. Debt issuance can also entail significant transaction costs. Securing public credit support or pledges, where needed, can be politically complex and contentious if policymakers view the structure as implicit general obligation exposure or appropriation risk.

The right strategy for Green Banks pursuing debt issuance depends on whether the Green Bank already has a performing portfolio, whether it needs new balance sheet capital before it has collateral, and whether it can access a public issuer, nonprofit investor base, bank facility, or other credit support. These strategies are not mutually exclusive. A Green Bank may begin with mission-aligned nonprofit debt, use that capital to build a portfolio, and later refinance the portfolio through a revenue-backed bond or warehouse facility. A Green Bank must be institutionally ready before taking on direct issuance. Direct issuance requires legal authority, financial controls, investor disclosure, repayment discipline, board capacity, and often audited financials, ratings analysis, a municipal financial advisor, bond counsel, trustee arrangements, and ongoing reporting, which can be costly to establish from the outset, but can provide replicability in the long term.





## Recommended Actions

When engaging policymakers, it is worth highlighting the catalytic power of portfolio refinancing: an initial public capitalization not only funds the projects in the first portfolio, but it also compounds over time, as performing loans are sold or refinanced through the bond markets and the proceeds are recycled into new projects. This approach is most useful where a Green Bank has a strong near-term pipeline and a public, philanthropic, federal, or private partner willing to provide enough credit support to borrow before the Green Bank has a seasoned portfolio. Three parallel steps will help support the process:

### 1. Map the institutional landscape:

Identify whether the Green Bank can borrow directly, whether a state bonding authority (an infrastructure bank, economic development authority, or state finance authority) has statutory authority that could accommodate clean energy or Green Bank programs and could issue on its behalf or via a conduit, or whether a nonprofit Green Bank should raise debt directly from mission-aligned investors.

### 2. Explore an embedded or partnership structure:

Determine whether the Green Bank can be formally affiliated with, embedded within, or designated as a special-purpose vehicle of an existing state issuing authority, which also addresses the transaction-cost problem. This may be achievable through executive action, regulatory amendment, or narrowly targeted legislation, and is often less politically fraught than establishing new bonding authority from scratch. MassHousing's hosting of the Massachusetts Community Climate Bank and the Illinois Finance Authority's hosting of the Illinois Climate Bank are instructive examples.

### 3. Explore credit enhancement in parallel:

Identify whether loan loss reserves, federal guarantee programs (such as SSBCI guarantee facilities), or philanthropic first-loss capital could make a debt issuance viable at a smaller portfolio scale or earlier stage.

# 03 State Small Business Credit Initiative (SSBCI)

- ☑ Flexible: direct loan capital, credit support layer, or equity investment use
- ☑ Likely already available in state, but partnership with designated state agency required

The State Small Business Credit Initiative (SSBCI) is a nearly $10 billion federal program that channels money to states to expand small business access to credit, funded through the American Rescue Plan Act of 2021 and administered by the U.S. Department of the Treasury.[15] Of the $10 billion, roughly $5.8 billion had been disbursed to jurisdictions and roughly $3.9 billion deployed to businesses as of March 31, 2026, with the balance still to be deployed. Treasury's statutory authority to administer the Capital Program terminates in March 2028, but it has until September 2030 to complete all disbursements.



Rather than making loans or grants directly to businesses, Treasury awards SSBCI allocations to state agencies, typically state finance authorities or economic development agencies, which then design and run their own lending and investment programs using those funds. A common model is for the state agency to also have a subrecipient for fund disbursement, which can be a Green Bank. This is the model for the Illinois Finance Authority as a subrecipient to the Illinois Department of Commerce and Economic Opportunity, and Hawaii Green Infrastructure Authority (HGIA), which operates as a subrecipient of the Hawaii Technology Development Corporation (HTDC), the formal SSBCI recipient in Hawaii. Though both of these are state Green Banks, Treasury's Capital Program Policy Guidelines allow nonprofits to serve as contracted subrecipients as long as competitive procurement is used[16] (state entities are able to be sole-sourced). In California, the IBank and the State Treasurer's Office jointly administer the state's SSBCI allocation, with dedicated components supporting Green Bank lending. Because SSBCI is a popular program, practitioners report that it has helped nascent clean energy lenders gain name recognition, launch new lending operations, and build relationships with commercial banks.

SSBCI is a general small business and economic development program, not a clean-energy-specific one. Green lending is permissible but not required, which has an important practical consequence for a Green Bank that takes on an SSBCI lending program: it generally cannot restrict itself to clean energy projects alone. A Green Bank administering SSBCI funds must be willing to underwrite and consider non-green projects (for example, manufacturing) that come through the program, rather than declining them for lacking a clean energy nexus. Some state Green Banks that administer SSBCI funds have addressed the mandate question by amending their authorizing statute to permit deploying financing programs on behalf of other state agencies through a memorandum of understanding (MOU).



[15] USSBCI Quarterly Report through March 31, 2026 , home.treasury.gov.
[16] https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf

A state's SSBCI allocation can be deployed across several distinct program categories, and an applicant can operate in more than one if included in its Treasury-approved work plan. The categories are:

1. **Loans or loan participation**

   SSBCI requires a co-investment match from a participating lender such as a bank, CDFI, credit union, or loan fund. Treasury's capital-at-risk rules require the private lender to bear at least 20% of the risk of loss in each loan at origination.[17]

2. **Collateral support**

   A collateral support program provides cash collateral to help other lenders make their loans. Hawaii's published program guide caps state cash collateral at no more than 20% of the participating lender's loan.[18]

3. **Loan guarantees and capital access programs**

   These are the other two credit-side program types Treasury recognizes. A guarantee covers part of a lender's loss; a capital access program pools lender and borrower fees into a loan-loss reserve.

4. **Equity and venture capital**

   SSBCI can also support equity and venture investment. Hawaii used its initial SSBCI allocation to kickstart the state's venture capital industry using a fund-of-funds structure: HTDC makes an investment into a venture fund, which then aggregates additional equity and capital and reinvests it into businesses. This is a separate deployment category from the credit-side tranches and is available to applicants if included in their approved work plan. Connecticut Innovations and IBank have used a portion of their states' SSBCI allocation for similar venture-related purposes.



According to the U.S. Department of the Treasury's SSBCI Quarterly Report (through December 31, 2024), 120 reporting jurisdictions had allocated nearly $8.9 billion across 308 programs. Of the total, roughly 64% ($5.7 billion) went to loan-support program types: loan participation programs like those that Illinois Climate Bank runs (which at 32% is the largest category type), loan guarantee programs, collateral support programs, and capital access programs, while about 36% ($3.2 billion) went to equity/venture-capital programs (direct equity investment and equity fund programs).[19]

[17] U.S. Department of the Treasury, SSBCI Capital Program Policy Guidelines and SSBCI FAQs (capital-at-risk requirement that lenders bear ≥20% of loss at origination; NCUA rate ceiling determined at time of obligation). home.treasury.gov.

[18] Hawaii Green Infrastructure Authority, SSBCI Participating Lender's Guide (Dec. 2023)

Whether SSBCI capital lands directly on a Green Bank's balance sheet depends on the arrangement negotiated with the recipient agency. In the state Green Bank examples, the capital does sit on their balance sheets and they can lend the funds out directly and earn interest as well as a loan fee. The only hard pricing constraint is that the rate cannot exceed the National Credit Union Administration's interest rate ceiling, currently 18%.[20]




*Michigan Saves*

[19] U.S. Department of the Treasury, SSBCI Quarterly Report (through Dec. 31, 2024)
[20] NCUA Board, press release Feb. 6, 2026: continuation of the temporary 18% interest rate ceiling for loans made by federal credit unions. ncua.gov



*Nevada Clean Energy Fund*

## Barriers

State agencies and Green Banks should work together to develop and deploy a successful strategy for engaging the existing SSBCI allocation in their state. Where they are non-public organizations such as the 501(c)(3) Green Banks, this will be a larger lift as it requires getting a state agency to name the organization as a contracted entity for SSBCI, and the state agency will likely need to (a) amend their work plan to the Treasury Department and (b) run a competitive procurement process to contract with a nonprofit.

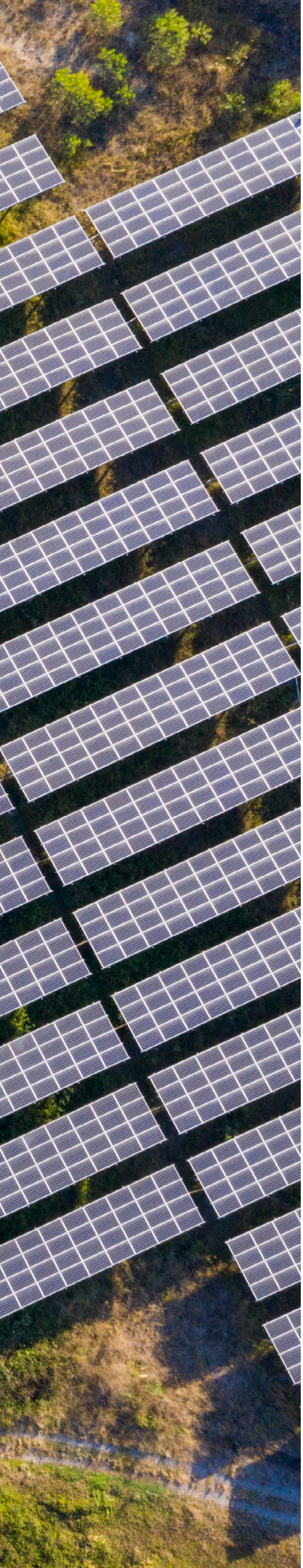
## Recommended Actions

1. To access SSBCI capital, Green Banks should coordinate with the state agency that administers the program. A concrete starting point suggested by practitioners is to look up the state's publicly identified SSBCI recipient and find out which program types it operates. Two questions are worth exploring: whether the program is running well and being fully utilized, and whether a loan program is part of it. A state that holds only a collateral support program, or that has a loan program it is struggling to deploy, is the clearest opportunity for a Green Bank to add value.
2. Where those elements are missing, a Green Bank can offer its established pipeline along with its lending infrastructure and expertise as valuable assets to the state program. The U.S. Treasury sets deadlines for states to deploy SSBCI funds and can recapture unspent allocations, so states are frequently under pressure to move money out the door. A program that is struggling to deploy, whether because it lacks a pipeline or lacks direct relationships with front-line lenders, is where a Green Bank can bring deal flow or banking relationships. A state's SSBCI program operating rules can be amended with Treasury approval, so green lending does not have to have been named in the original application.



*Collective Clean Energy Fund (CCEF)*





## Examples of states that have deployed SSBCI resources in support of clean energy projects and innovations include:

### 1. Illinois:

The Illinois Finance Authority administers a $20 million share of Illinois's $354.6 million SSBCI capital allocation as a contracted entity of the Illinois Department of Commerce and Economic Opportunity, which is the state's implementing entity. IFA uses these funds to purchase participations in loans alongside commercial lenders at subsidized rates. The Illinois Finance Authority's Climate Bank drives private capital into clean energy projects via this program, with eligible projects explicitly including solar installations, EV charging stations, and energy conservation.

### 2. Connecticut:

Connecticut Innovations has a $119.4 million SSBCI allocation for its Equity and Venture Debt Fund, including a dedicated ClimateTech Fund that invests in early-stage companies focused on energy, transportation, water, climate-related software, waste/circular economy, and carbon removal.

### 3. California:

California administers its $1.181 billion SSBCI allocation jointly through IBank and the California Pollution Control Financing Authority (CPCFA). Within its program, IBank runs a dedicated ClimateTech Finance program, offering an 80% loan guarantee to de-risk lending to climate technology companies, with the strategic aim of drawing commercial banks into clean energy lending so they will eventually continue without a guarantee. IBank runs the loan guarantee and venture capital programs while CPCFA (housed inside the State Treasurer's Office) runs the capital access and collateral support programs.

### 4. Hawaii:

Hawaii received $62 million in SSBCI funding to expand access to capital for small businesses, startups, and entrepreneurs in the state. The funding is jointly administered: the Hawaii Technology Development Corporation (HTDC), a state agency, administers the venture capital investment portion, while HGIA administers the loan program (projects do not have to be clean energy focused to be eligible). Active projects include a $20 million photovoltaic recycling and processing plant, which blended commercial bank capital and tax credits with the SSBCI loan, and a $20 million community-owned solar project on Molokai, among others.

# 04 USDA Rural Energy **Savings Program (RESP)**

- ☑ Zero-interest federal loans
- ☑ Direct to Green Bank (no state involvement required)
- ☑ Award amount can include startup costs
- ☑ Must provide significant collateral (generally 50% of award amount)



The U.S. Department of Agriculture's Rural Energy Savings Program (RESP) is a federal financing tool that both nonprofit and state Green Banks can apply to directly, with no state agency involvement (as is required with SSBCI or CWSRF). Congress appropriates an annual (relatively modest) amount to cover the federal government's estimated cost of below-market financing, which USDA then leverages into zero-interest loans.[21]

USDA makes these zero-interest loans to recipient institutions on terms of up to 20 years. The recipient institution then reloans the capital for 10-year loans to end-users, including residential and small commercial customers. Recipients have 10 years to deploy it at a capped on-lending term of 10 years, totaling a 20-year term to repay USDA. Recipient institutions may re-lend at rates capped at 5% to end borrowers, generating a spread that allows recipients to cover administrative costs. Projects must be located in rural areas with populations under 50,000, but eligible uses are broad, including building envelope improvements, on- and off-grid renewable energy systems, battery storage, lighting, geothermal, community solar subscriptions, and beneficial electrification.

Since the program's inception in 2016, there have been no defaults, demonstrating a strong track record. Awardees report that the reporting requirements are not onerous, that Build America, Buy America (BABA) and Davis-Bacon and Related Acts (DBRA) requirements do not apply, and that funds can be recycled (e.g., loans sold to a third party) as long as the loan is repaid within 10 years. Several Green Banks have already accessed RESP capital, including the Hawaii Green Infrastructure Authority, Colorado Clean Energy Fund, Connecticut Green Bank, and Montgomery County Green Bank, establishing meaningful precedent for others in the ecosystem.

[21] USDA Rural Development, "Rural Energy Savings Program (RESP)," rd.usda.gov (0% interest loans up to 20 years; relending to end users capped at 5% for up to 10 years).



*Buildings of the Muscogee (Creek) Nation, Okmulgee*

**Note that the federal office managing RESP has been significantly reduced through recent federal staffing cuts, and applicants have reported long wait times and low responsiveness.**



## Barriers

The most significant barrier to RESP's uptake is its collateral requirement: recipients generally must pledge collateral equal to 50% of the award (some may be required to pledge more or less) and accept a USDA lien on those assets in the event of default. For newer or lightly capitalized Green Banks, assembling eligible collateral can be difficult.

Successful applicants have addressed this constraint. Colorado used state-appropriated capital as collateral, while Hawaii leveraged an existing loan loss reserve fund to secure the loan. Green Banks will generally need substantial state financial backing, or access to credit enhancements via other channels, to utilize RESP.

RESP projects must generally be located in rural areas with populations below 50,000, and when this is spread across states (e.g., Green Banks that cover multiple states), there have been reported delays to the approval process. Despite these limitations, RESP represents a valuable federal financing pathway for Green Banks seeking scalable, low-cost capital to support rural clean energy markets, particularly when paired with complementary state fiscal support or other guarantees that can satisfy the program's collateral requirements.



## Recommended Actions

1. Applications to RESP are accepted on a rolling basis and reviewed in the order received. Current demand for the program is reportedly three times the approximately $60 million in lending capacity available, so the position in the queue significantly impacts the timeline to program implementation.
2. Before filing, applicants should take a few preparatory steps drawn from the experience of prior Green Bank recipients. First, narrow the application to a single state with clearly identified rural census areas, as multi-state scopes have demonstrably lengthened review. Second, inventory collateral against the 50% minimum requirement now (e.g., state-appropriated capital, loan loss reserves, or other assets held in controlled accounts) since this USDA policy remains the binding constraint for most applicants.
3. Consider partnering with a local utility or co-op to be the prime applicant, as they have hard assets that are more suited to the traditional collateral that USDA assesses. Prior Green Bank applicants have found success with this partnership model for programs like on-bill financing, where the Green Bank is able to earn a portion of the interest spread from administering the program.
4. Finally, Green Banks should plan for realistic timelines. The application is a two-step process. First, applicants submit a letter of intent and, if accepted, they are invited to submit an application. Anecdotally, this first step can take nine months, though experiences vary. Applicants then need to wait for their application to be approved, which can take another 12–18 months, and finally must go through a 12–18 month process of closing the loan after the application is approved. Timelines have also been affected by federal staffing reductions.

# 05 Settlement & **Mitigation Funds**

- ☑ Settlement funds parked in state agencies may be underutilized or idle
- ☑ Executive branch agencies often have substantial discretion to direct changes in how these funds are utilized

State environmental agencies often hold fee-based funds, settlement proceeds, or mitigation accounts intended to address pollution. These resources can be directed into a state or nonprofit Green Bank to serve as revolving loan capital for emissions-reducing projects, recycling the capital rather than distributing it once as grants.

A revolving loan structure allows environmental funds that would otherwise be spent once to finance multiple projects, creating a durable emissions-reduction platform. A third-party, such as the Green Bank or specialized finance entity, can originate and underwrite projects, deploy funds as loans or structured financing, recycle repayments into new projects, and report regularly to the state agency on emissions reductions and portfolio performance. Where appropriate, it can also bring in private and philanthropic capital to extend the impact of state funds. This approach has three main advantages:

1. It gets more out of existing funds. It converts idle or underutilized environmental funds into a revolving financing platform that can support many more projects over time than a traditional grant program.
2. It supports state air quality and climate goals. Investments that reduce nitrogen oxides (NOx), volatile organic compounds (VOCs), other pollutants, and greenhouse gas emissions can contribute to progress under Clean Air Act state implementation plans and help states address non-attainment areas while improving public health outcomes.
3. It reduces the administrative burden on environmental agencies. Rather than building internal lending capacity, which stretches limited administrative resources and falls outside their traditional expertise, agencies can rely on a qualified institution that already has underwriting systems, capital partnerships, and project origination capabilities.

The model is particularly well suited to emissions reduction programs tied to existing regulatory processes. One proposed structure would link financing to air permit modification cycles for regulated facilities. At these regulatory touchpoints, facilities could access financing for cost-effective emissions reduction measures such as waste heat recovery, process electrification, industrial storage, or energy efficiency upgrades.



# Examples from the Market

## California

California capitalized the California Clean Energy Fund (CalCEF, now New Energy Nexus) with state settlement dollars resulting from an investor-owned utility bankruptcy process.



*Nevada Clean Energy Fund*

## Maryland

Montgomery County Green Bank was seeded through the Maryland Public Service Commission's approval of the Exelon-Pepco Holdings merger. As a condition of that approval, the Commission required Exelon to establish a Green Sustainability Fund. Montgomery County created its Green Bank in 2016 with about $14 million received from the merger.[22]



*Montgomery County Green Bank*

## Utah

Sustain Energy Finance (SEF) recently explored this approach in Utah in support of the state's air quality goals. Rather than building a new internal financing program within a state environmental agency, SEF proposed allocating capital from a state remediation fund that holds air quality settlement fee dollars into a dedicated Industrial Energy Efficiency Revolving Loan Fund designed to operate as a perpetual financing vehicle. Under the proposed structure, SEF would originate and underwrite projects, recycle repayments into new lending, report to the state agency, and source additional private and philanthropic capital as appropriate.



*Sustain Energy Finance (SEF)*

[22] https://www.epa.gov/statelocalenergy/green-banks

## Barriers

Environmental agencies are regulatory bodies by design, so their staff are typically unfamiliar with loan underwriting, revolving fund mechanics, or program risk management, and may be uncomfortable deploying funds in ways that diverge from grant-based precedent. Settlement and fee funds frequently carry legal restrictions on eligible uses, geographies, and project types, requiring legal review or statutory clarification before they can be channeled into a financing program. Multi-state settlement funds tend to carry the most restrictive use requirements. Finally, channeling these funds through a third-party Green Bank raises governance questions. If the Green Bank is not itself a state entity, the state agency would likely need to select it through a competitive procurement process. Agencies will need confidence in the selection process, audit trails, fiduciary controls, and clear accountability for how public funds are deployed and repaid.



*Nevada Clean Energy Fund*

## Recommended Actions

1. Most state environmental agencies hold settlement proceeds from Clean Air Act violations, consumer auto emissions settlements (e.g., Volkswagen and Mercedes-Benz), or other environmental enforcement actions, as well as ongoing fee-based environmental funds. Green Banks should collaborate with relevant state agencies to understand what funds exist and develop a concrete value proposition of the emissions reductions that can be achieved per dollar deployed, and how those outcomes map to the agency's existing reporting obligations.
2. The preferred contracting structure would likely be a pass-through grant to the Green Bank to capitalize a revolving loan fund, issued either through an RFP or a sole-source contract. The Green Bank originates and underwrites loans, recycles repayments into new deals, and reports back on quantifiable environmental outcomes such as equipment deployed, emissions reduced per dollar, or cost per ton of pollutant reduced, which the agency can use to justify the program and demonstrate statutory compliance.

# 06 Clean Water State Revolving Fund **(CWSRF)**

- ☑ Requires state agency collaboration (state CWSRF administrator) plus governor-level political support
- ☑ Requires federal agency sign off

Every state already holds a potential source of low-cost clean energy capital in its Clean Water State Revolving Fund (CWSRF), which can finance emissions-reducing projects where the state's water quality plans link air pollution to water impairment. EPA provides grants to all states and territories to capitalize CWSRF programs. Funds are allotted among states based on a statutory formula embedded in the Clean Water Act that has been in place since the program's inception in 1987.

Each state designates an instrumentality to administer its CWSRF, typically a state environmental agency, infrastructure finance authority, or public benefit corporation. States have substantial latitude to design programs that meet state needs within broad statutory constraints, memorializing decisions on what project types to fund and what financing tools to use in two plans reviewed by EPA: the five-year Nonpoint Source (NPS) Management Plan under Clean Water Act (CWA) section 319 (eligible nonpoint source activities) and the annual Intended Use Plan (IUP) (which projects are included and amounts). Available financing tools under CWA section 603(d) include below-market loans, loan guarantees, insurance, and interest earnings. Section 603(d) does not list investment as a separate type of assistance; Pennsylvania's investment in a clean energy loan program (described below) relied on the investment authority in PENNVEST's state enabling statute, with the State Treasurer's approval.





The NPS Management Plan identifies the sources of pollution impairing the state's waters. Fossil fuel power plants can contribute to impairment not only through direct discharges, but through atmospheric deposition: the process by which air pollutants from combustion settle into surface waters. EPA formally recognizes atmospheric deposition as a nonpoint source pollution pathway, and its eligibility guidance lists air pollution control technologies, energy efficiency upgrades, and renewable energy generation as activities that reduce it.[23] Where a state's NPS plan identifies atmospheric deposition as a water quality impairment source, projects that reduce the emission of those air pollutants, such as energy efficiency upgrades, renewable energy installations, and air pollution control technologies, can qualify as eligible uses of CWSRF funds.

The Intended Use Plan (IUP) is an annual plan indicating how funds will be used, which must be approved each year by the state's EPA regional office.[24] For clean energy projects or programs, the IUP must list the nonpoint source activities the state expects to fund from its CWSRF and describe the types of assistance it will offer (such as loans, guarantees, or investments), how funds will be distributed among them, and how projects will be selected. Both the NPS plan and the current IUP must include atmospheric deposition reduction as an eligible activity before a clean energy program can apply for assistance. The federal statute sets a floor, not a ceiling. Each state program may have its own statutes, rules, and regulations that further narrow eligible projects and eligible borrowers.

[23] https://www.epa.gov/sites/default/files/2016-07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf
[24] U.S. EPA, "Clean Water State Revolving Fund (CWSRF)" and CWSRF Eligibilities factsheets, epa.gov/cwsrf (federal-state partnership across all 50 states plus Puerto Rico; Section 603(c)/(d) of the Clean Water Act; 20% state match).

## New York

New York offers an example of CWSRF supporting clean energy lending through credit enhancement. In 2013, the New York State Energy Research and Development Authority (NYSERDA) sought to issue bonds to finance and refinance loans under the Green Jobs–Green New York (GJGNY) program, which finances residential, small business, nonprofit, and multifamily energy efficiency improvements. Rating agencies indicated that the program's residential loan portfolio did not yet have enough payment history to support an investment-grade rating on its own. The New York State Environmental Facilities Corporation (EFC), New York's water infrastructure bank and CWSRF administrator, provided a guarantee on the bonds through the CWSRF, which allowed the bonds to be rated AAA by S&P Global and Moody's. Subsequent bond issuances that were not backed by the guarantee also received investment-grade ratings; the additional loan performance track record enabled by the CWSRF transaction was likely critical to this development, suggesting that the loan guarantee had a market transformation effect.[25] To make this possible, EFC got EPA's written concurrence that residential energy efficiency financing qualified as an eligible use of CWSRF funds based on the state's inclusion of atmospheric deposition of particulate matter from fossil fuel combustion in its approved NPS plan. EFC structured its support as a guarantee, not a direct loan, with EFC requiring NYSERDA to establish a collateral reserve account as well.

## Pennsylvania

Pennsylvania offers a second example of CWSRF capital supporting residential energy efficiency lending. In 2016, the Pennsylvania Treasury relaunched KeystoneHELP, a program offering homeowners loans for energy efficiency improvements, after the program had gone dormant in 2014 for lack of funding. The relaunch was made possible by a financing partnership with PENNVEST, the Pennsylvania Infrastructure Investment Authority, which manages the state's CWSRF. Rather than making a loan or issuing a guarantee, PENNVEST invested capital in the program, taking a subordinate position in each loan beneath the Pennsylvania Treasury's primary capital so that its funds served as credit enhancement for the Treasury's investment, with the expectation that loan repayments would make the investment self-sustaining. PENNVEST justified the investment on water quality grounds: reducing household energy use cuts the air pollution that settles into the state's waterways.

[25] https://eta-publications.lbl.gov/sites/default/files/final2_scep_cwsrf_101723_state_clean_water_revolving_funds_-_2-22_final_1.pdf



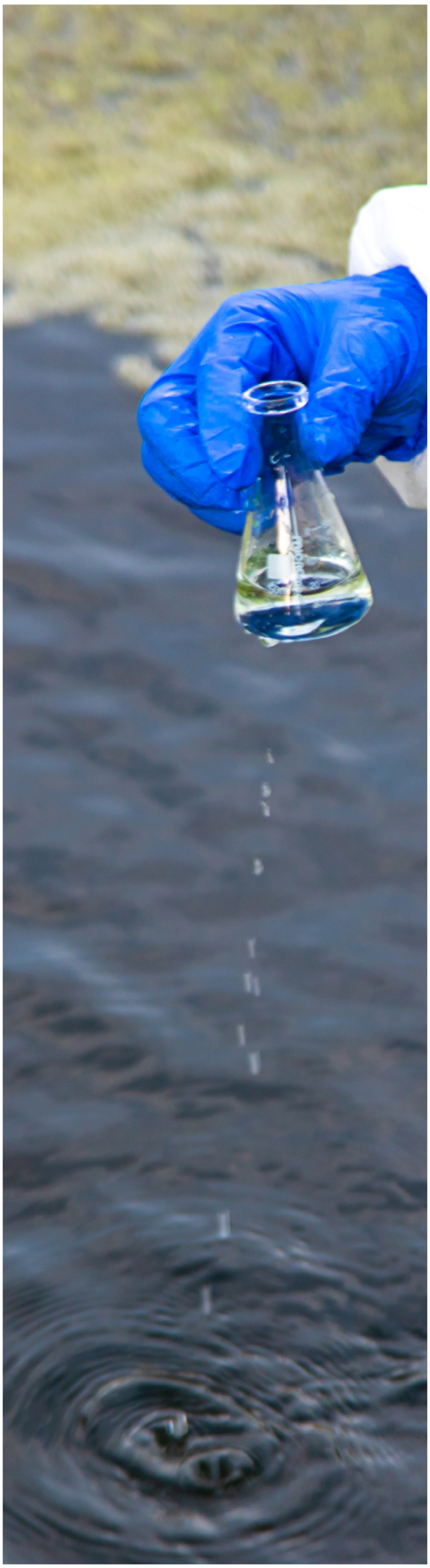






## Barriers

Several practical barriers often limit the use of CWSRF funds for clean energy or other nontraditional projects. In many states, the governing boards or agencies administering the funds are highly focused on their traditional mission of financing water infrastructure, and funding capacity is already fully committed to water needs. This leaves little appetite to experiment with new financing structures. In other cases, the barrier is informational or institutional: administrators may simply not understand how climate or energy investments could qualify under nonpoint source authorities, or they may be reluctant to undertake the administrative work required to revise the state's Nonpoint Source Management Plan or Intended Use Plan. As a result, the constraint is often not statutory but institutional — stemming from limited creativity, risk tolerance, or administrative capacity within the agencies responsible for managing the funds.



## Recommended Actions

1. Engage the governor's office and the SRF-administering agency simultaneously. Approaching the CWSRF agency alone, without executive-level backing, is unlikely to succeed. The most effective entry point is a new administration's transition period, when board appointments and program priorities are open for revision.

2. Prior to that engagement, audit the state's Nonpoint Source Management Plan for existing language on atmospheric deposition, climate change, or nonpoint pollution pathways that could support a clean energy eligibility argument. Many states already have catch-all language or explicit climate categories that can be leveraged without a full plan revision.

3. Commission or identify a white paper or legal memo documenting the Section 319 eligibility argument specific to that state's NPS plan language. Having a clear, attorney-reviewed analysis that demystifies the legal pathway is consistently cited as essential for building institutional confidence among administrators who are unfamiliar with the argument.

4. Size the ask appropriately. Practitioners are consistent that proposals below $20 million may not be worth the institutional effort. Meaningful transactions start at $50 million and above. The Green Bank must arrive with a credible deployment plan and a defined sub-portfolio of projects consistent with the IUP ready to absorb the capital.

5. Use Pennsylvania and New York as reference precedents. Pennsylvania's PENNVEST and New York's EFC are the most advanced examples of CWSRF programs that have integrated energy and climate finance. Both are willing to share institutional knowledge and can lend credibility when making the case to other state administrators.

# 07 REC Monetization

- ☑ Immediately actionable where available.
- ☑ Requires an active state RPS/AEPS credit market and ownership of (or access to) eligible credits.
- ☑ Value is policy-dependent and can collapse.

Renewable Energy Credits (RECs) are tradeable instruments generated when a qualifying renewable energy system produces electricity (or, in some states, when an energy efficiency measure saves it). RECs may also be called Solar Renewable Energy Credits (SRECs) or Tier I and Tier II alternative energy credits. Typically issued at one REC per megawatt-hour (MWh) of generation, they exist within state-administered markets governed by each state's Renewable Portfolio Standard (RPS) or Alternative Energy Portfolio Standard (AEPS). The value of a REC varies widely by jurisdiction: credits in high-ambition markets like Washington, D.C. have traded at $300/MWh or more, while credits in Pennsylvania's lower-standard market have hovered closer to $30/MWh or less.[26]

Despite modest per-unit values in many markets, REC monetization has served as a meaningful and operationally efficient revenue stream for a small number of Green Banks, most notably the Philadelphia Green Capital Corp (PGCC), DC Green Bank, and Connecticut Green Bank.



[26] SREC/REC market prices per District of Columbia Public Service Commission, Renewable Energy Portfolio Standard (RPS) Report, dcpsc.org.

## PGCC's program was one of the institution's few revenue-generating products. It involved multiple complementary arrangements:

- Accepting donated RECs from residential and commercial solar system owners (facilitated through PGCC's sister solar installation program), and selling the RECs to the City for its compliance purposes. This required very limited upfront capital, just enough to set up and staff a donation platform.
- Entering into REC purchase commitment agreements with certain third-party-owned (TPO) solar developers in PGCC's sister solar installation program. This provided price and term certainty to make more affordable TPO products for low- and moderate-income (LMI) homes. PGCC would agree to purchase all RECs from LMI homes for an above-market price for at least the length of the investment tax credit (ITC) recapture period. PGCC then sold the RECs to the City of Philadelphia for the city's renewable energy compliance purposes.
- Philanthropic contributions allowed PGCC to purchase the first tranche of RECs from developers and bridge the timing gap between purchasing from developers and selling to the city. The model has been particularly attractive to philanthropy because it leverages other capital to bring projects to fruition and revolves their grants as working capital to facilitate more transactions.
- Acting as an aggregator-broker on behalf of the City of Philadelphia for RECs generated by city-owned buildings that lacked the capacity or ability to monetize them. PGCC engaged a third-party broker to manage these RECs as the registration of those RECs was complicated, and then PGCC retained a portion of the sale proceeds as unrestricted operating revenue.



*New York City Energy Efficiency Corporation (NYCEEC)*

Of note, the City of Philadelphia itself was simultaneously a REC buyer (purchasing credits to meet its municipal renewable energy portfolio commitments) and a REC monetizer through PGCC, illustrating how a single Green Bank can intermediate both sides of a local REC ecosystem.

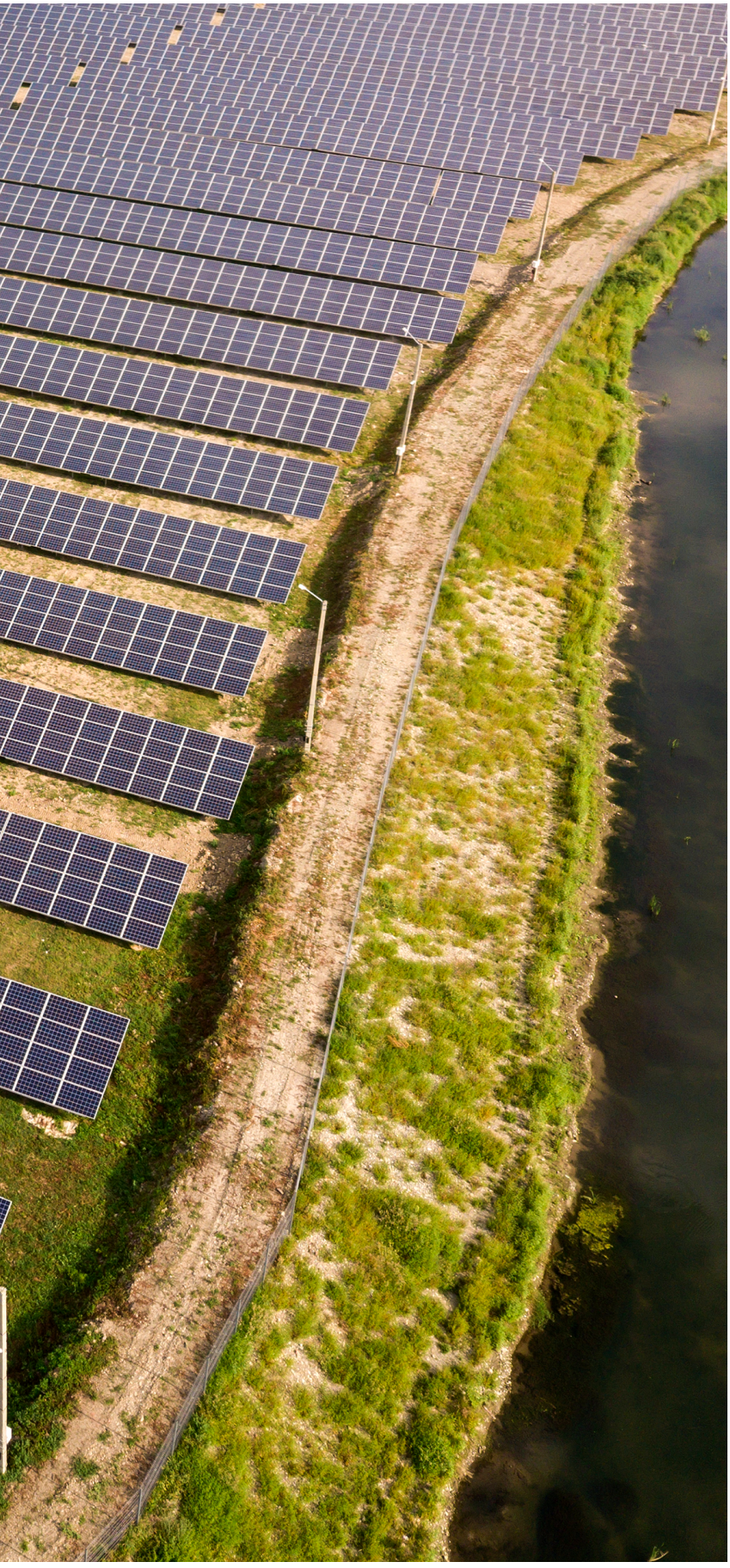
The REC monetization model is particularly well-suited to early-stage Green Banks with limited staff and no loan products in regions with active REC markets. In markets structured like Philadelphia's, it requires no underwriting team or credit committee to take in this type of revenue, can be substantially contracted out to a third-party broker, and can be managed by junior staff once set up. REC market rules and operating conditions will determine the extent to which this simplified monetization model is replicable. Connecticut Green Bank has taken a different approach, securitizing long-term REC purchase contracts tied to its residential solar incentive program into tranched bond issuances. (See Debt Market Capitalization Pathways: Examples from the Market, earlier in this playbook.)



## Barriers

REC monetization is only feasible in states that have RPS or other eligible programs with unbundled REC transactions. If a state weakens, suspends, or eliminates RPS requirements or net metering/ REC benefits (as California did with net metering), the value of RECs can decline sharply or disappear entirely. For example, in Pennsylvania, the price of Tier II RECs dropped sharply in 2026, contracting the market significantly.

The process of setting up a REC monetization program can be administratively intense for nascent and under-resourced organizations if they do not have existing ways to streamline intake of projects. Both PGCC and Connecticut Green Bank relied on existing partnerships: PGCC's with Solarize Philly and Connecticut Green Bank's with the state's solar incentive program. Green Banks can consider working with specialized brokers to facilitate the work, but fee structures vary and can diminish margins. Green Banks should also consider forward markets and "locking in" REC prices to minimize price volatility, which some commercial and municipal clients value for its steady, predictable revenue.



## Recommended Actions

1. Green Banks exploring this strategy should first assess whether their state has an active RPS or similar standard with a functioning credit market, and whether they or partner organizations own or have access to renewable energy systems generating eligible credits.
2. The most tractable entry point is typically piggybacking on an existing solar or energy efficiency program, as PGCC did through its sister organization's residential solar deployment program, and as Connecticut Green Bank did through its state-incentivized residential solar program.
3. Green Banks that serve as asset managers or that finance community solar installations may also have a direct claim to REC revenue if the financing structure preserves that ownership right.

# 08 Emerging Pathways

**The following models remain speculative in nature as they have not been fully implemented to date, though the concepts may be instructive for highly motivated organizations to explore.**

## Fees and Surcharges on Data Centers

Throughout 2026, state legislatures have been actively considering bills proposing data center guardrails and large load tariffs. More than 300 data center bills were filed in over 30 states in the first six weeks of 2026. Many such bills (as well as executive orders) focus on ways to have data centers pay for the additional energy infrastructure required to serve them, as well as methods to reduce the grid strain and reliability problems expected to occur. A fee or tariff on data centers, set up by statute or by an empowered PUC, could provide revenue to capitalize a Green Bank. Legislation introduced in Wisconsin (AB 722/SB 729) proposed to define the Green Bank administered by the Wisconsin Economic Development Corporation as recipient of a portion of large load customer fees. Minnesota (HF16) and New Jersey (A796) have enacted large-load fee structures funding clean energy programs a Green Bank could administer, though in neither case is the Green Bank explicitly named in legislation. A handful of Green Banks have also negotiated bilateral agreements with nearby data center developers outside of the statutory sphere.[27] [28] Hyperscalers (the largest cloud and data center operators) could expand this strategy by providing grants or investments through Green Banks to fund a revolving portfolio of distributed energy resources or resilience hubs in the communities surrounding their facilities. State and local governments could look to Green Banks as a partner in navigating data center-driven load growth, and should view these institutions as part of implementing durable and balanced community-driven solutions to grid reliability and infrastructure strain challenges.



[27] https://nevadacef.org/google-announces-10-million-to-support-energy-innovation-and-affordability-in-nevada/
[28] https://www.crgreenfund.org/googlegridinnovation

## State Treasury Deposits

Under this model, a state treasurer would allocate a portion of the state's investment portfolio (typically held in low-risk instruments such as Treasury bills or corporate bonds) as a loan or deposit to a mission-oriented clean energy finance institution. This structure aligns with the broader role of Green Banks as mission-driven financial intermediaries that use public capital to mobilize larger pools of private investment in clean energy infrastructure. The Treasury-deposit approach can be politically attractive because it requires no new spending. Instead, it frames climate finance as prudent asset management, allowing states to redirect a small share of existing public investments toward in-state economic and environmental outcomes while still generating a competitive economic return. The "Social Return on Investment" (lifetime utility savings, lifetime avoided greenhouse gas emissions, direct and indirect job creation, and public health savings) can be added to the financial return to demonstrate the total economic return from the investment.

A proposed Colorado bill, SB26-148 (introduced in the 2026 session), would have directed the state treasurer to provide a $50 million low-interest (2%) loan from the unclaimed property trust fund to the state's nonprofit Green Bank, Collective Clean Energy Fund d/b/a Colorado Clean Energy Fund, to expand its on-bill energy financing program. On-bill financing provides home or business energy upgrades (like efficiency and electrification) at no up-front cost to customers, with repayment collected through utility bills. The legislation proposed to treat the funding as a repayable investment rather than a grant, with the intent of catalyzing private capital and recycling public funds over time. The State Treasury would still earn a competitive return, while also generating tangible public benefits, such as emissions reductions and in-state economic investment.



## Barriers

The Colorado SB26-148 model sits within a broader class of state-level policy experiments that attempt to redirect public capital toward clean energy ends but have encountered barriers in the legislature around fiduciary ownership and duty constraints, along with shifting legislative coalitions and inertia. Quantifying social returns with a standardized, accepted methodology — and having those returns count in statutory proceedings — is also important and remains untested in many cases.



*Inclusive Prosperity Capital*

## Recommended Actions

### 1. Explore existing treasurer authority

Start with a targeted statutory review of whether the state treasurer's existing investment guidelines already permit deposits in institutions like Green Banks or CDFIs. In Colorado, the statutory duty focuses more on the profile of the investments (return, risk, etc.) than the actual investment vehicle (e.g., a Green Bank). Colorado's SB26-148 was specifically structured to stay within existing authority by preserving full capital repayment requirements. In other states, the key variable may be whether the deposit constitutes a change in fund manager.

### 2. Frame the deposit as asset management

Where financial return remains unchanged or only modestly adjusted, the deposit can be positioned as prudent in-state investment diversification rather than a subsidy. This framing has precedent: states already place Treasury funds in CDFIs and development banks for economic development purposes, on the rationale that in-state deployment generates compounding public benefits without sacrificing yield.

### 3. Resolve the "social return" question early

Where the deposit involves accepting a below-market return in exchange for environmental outcomes, it may attract more scrutiny. Advocates should (a) structure the deposit to keep financial returns competitive, and/or (b) pursue dedicated legislative authorization explicitly permitting mission-aligned weighting for a defined portfolio slice.



# 09 Conclusion

Green Banks have spent the past decade and a half building the institutions, pipeline, and track record to prove that place-based clean energy lending is a scalable model for clean, affordable economic growth. Public, philanthropic, and other funds have enabled Green Banks to deploy more than $5.16 billion of their own capital, leverage $24.5 billion in private investment, and support nearly $30 billion in total project investment nationwide, with around half in underserved communities.[29]

The Green Banking field is currently working together to build the capital base and shared market infrastructure to match the scale of project deployment that communities need and deserve. Green Banks report $6.84 billion in active project pipeline against combined balance sheets that fall well short of that capital need. Capital, not project pipeline or execution capacity, is the main constraint. Green Banks are collaborating to aggregate projects into portfolios large enough to attract institutional capital, standardize underwriting, and effectuate the secondary market sales that build a flywheel of liquidity. Once a Green Bank can season a loan and sell it off quickly, balance sheets will turn over, and the field's lending capacity could scale significantly. This record of success demonstrates that Green Banks are credible partners in meeting state clean energy, affordability, and economic development goals. State officials should work alongside Green Banks that serve their communities to explore the tools in this capitalization pathways playbook, which ones are likely to succeed in their state's unique context, and develop plans to bring them to fruition.



*Puerto Rico Green Energy Trust (PRGET)*

[29] https://www.usgreenbanks.org/green-banking-in-action



# 10 Appendix 1

## Case Studies: Green Bank Bond Authority

### Connecticut Green Bank: **Green Liberty Bonds and Notes**

The Connecticut Green Bank's bonding program is the most developed retail green bond program operated by a state Green Bank in the country. The inaugural Green Liberty Bond offering in July 2020 raised $16.8 million from retail investors in Connecticut, was rated A+ by S&P Global, and was fully subscribed at launch. The bonds are collateralized by Solar Home Renewable Energy Credits (SHRECs), the financial instruments generated by residential solar installations incentivized by the state, rather than by a general state guarantee. The bonds also benefit from a statutory credit enhancement, the Special Capital Reserve Fund (See Debt Market Capitalization Pathways: Examples from the Market, earlier in this playbook). The bonds are federally taxable but exempt from Connecticut income tax, making them particularly attractive to Connecticut residents.

The companion Green Liberty Notes program, issued on the Honeycomb Credit crowdfunding platform, opens participation to individuals investing as little as $100 in one-year notes backed by the Green Bank's lending support of the local utility company's small-business energy efficiency program. The combination has proven effective as a capital recycling mechanism, a retail engagement tool, and a credit story, demonstrating to institutional markets that Green Bank paper can perform.



*New York City Energy Efficiency Corporation (NYCEEC)*

## Illinois Finance Authority: **Conduit Issuance and Portfolio Refinancing**

The Illinois Finance Authority (IFA), which has operated a growing clean energy loan portfolio through its Green Bank function, illustrates the portfolio refinance approach at scale. With a demonstrated lending track record, the IFA can pledge performing clean energy loans as collateral for revenue bond issuances, with estimates suggesting this could unlock approximately $150 million in additional capital on a $450 million loan portfolio.

The IFA also functions as a conduit bond issuer, meaning it can issue tax-exempt bonds on behalf of other state agencies and programs. This allows programs that lack their own bond issuance infrastructure to access the lower borrowing costs associated with tax-exempt status, simply by routing their financing needs through the IFA. This conduit model may offer a replicable template for states with strong finance authorities that are willing to expand their clean energy mandate.



# 11 Appendix 2

## State Examples of Funding for Green Banks

### Connecticut (quasi-public)

The Connecticut Green Bank, established in 2011 through bipartisan legislation (Public Act 11-80), was initially capitalized by repurposing the state's existing Clean Energy Fund[30] (funded via its Systems Benefit Charge on utility bills) and proceeds from the Regional Greenhouse Gas Initiative (RGGI). These early, predictable inflows provided a stable base of capital that allowed the Green Bank to cover startup operational expenses as it developed a project pipeline and began making early investments. The enabling legislation also provided key financial tools — including bonding authority. Over time, the Connecticut Green Bank has diversified its revenue model beyond these initial sources to include interest income from loans, fees, renewable energy credit (REC) sales, and has leveraged new capital sources such as zero-interest USDA Rural Energy Savings Program (RESP) loan funds. This blended capital stack has enabled the Green Bank to achieve strong leverage – mobilizing more than $3 billion in total investment since inception using approximately $540 million in public funds, attracting more than six dollars of private capital for every dollar of public funding in recent years.



[30] https://programs.dsireusa.org/system/program/detail/157



*cDots Institute for Innovation and Economic Growth, Inc.*

## Michigan (501(c)(3))

Michigan Saves was initially capitalized as the nation's first state nonprofit Green Bank through a 2009 RFP issued by the Michigan Public Service Commission, which made about $8 million available out of the Commission's $90 million annual budget.[31] Public Sector Consultants won the RFP and spun out Michigan Saves, which later layered in additional seed funding from federal sources to which it co-applied with the state: American Recovery and Reinvestment Act (ARRA) Better Buildings grant (approximately $30 million) and a State Energy Program (SEP) competitive grant (approximately $5 million) to seed its commercial program's loss reserve. Around 2020, Michigan Saves began returning to the legislature for annual appropriations, typically requesting funding in the low single-digit millions of dollars. This practice requires a heavy investment in lobbying resources each year. More recently, it secured $16 million over four years through utility energy waste reduction settlement dollars[32] for residential and commercial lending.




*Michigan Saves, Inc.*

[31] Michigan Saves, "Nation's First Nonprofit Green Bank," michigansaves.org (established 2009); initial MPSC grant (~$8.1 million) per ACEEE, "Green Bank Accounting" (2016).
[32] https://www.michigan.gov/mpsc/commission/news-releases/2025/10/06/michigans-energy-waste-reduction-efforts-generate

## Colorado (501(c)(3))

Collective Clean Energy Fund[33] (CCEF), formerly the Colorado Clean Energy Fund, was founded with state budget appropriations.[34] The Colorado Energy Office used that appropriation to offer a $25 million "Investment Capital Grant" for "Energy investments into underserved market segments." Those funds were earmarked for lending activities (i.e., no operating expenses and with a 3.5-year clock to deploy all $25 million). With the initial funds deployed and being repaid, CCEF is now recycling that pool of capital into new loans. CCEF simultaneously received a $5 million "Operational Capital Grant" from the state, specifically for overhead and operations, with $1 million for initial startup expenses and $4 million in the budget for future operational expenses.

## Utah (501(c)(3))

Sustain Energy Finance (SEF)[35] was established as a nonprofit Green Bank in Utah. Absent state legislation or dedicated public funding, clean energy advocates and finance leaders moved to independently incorporate SEF as a 501(c)(3) to leverage federal funding and private capital to support clean energy and housing-related investments. SEF has begun exploring potential collaborative opportunities with the state for capitalization, such as the utilization of emissions fees or an appropriation to support the development of an industrial emissions reduction revolving loan program.

## Nevada (501(c)(3))

The Nevada Clean Energy Fund[36] (NCEF) was founded by state legislation (SB407) passed in 2017 as an independent nonprofit organization with a board that includes four ex-officio state officials and five members nominated by various stakeholders in the state and appointed by the Governor.[37] SB407 empowered NCEF to use multiple potential funding sources, including "gifts, grants, donations, or legislative appropriation." In 2022, NCEF received an initial $400,000 subgrant from the Nevada Governor's Office of Energy using unused ARRA funds from the U.S. Department of Energy (DOE). The funds were to support the start-up of NCEF's operations. NCEF does not have ongoing appropriations from the state; however, NCEF was successful in getting one-time state legislative allocations in 2023 ($1 million for operations) and 2025 ($500,000 in flexible funds). NCEF also runs several financing programs on behalf of the state.



*Nevada Clean Energy Fund*

[33] https://cocleanenergyfund.com/
[34] Collective Clean Energy Fund, cocleanenergyfund.com; $25 million initial investment capital per Colorado Newsline, "The power of strategic investment: Colorado's model…" (Nov. 27, 2024).
[35] https://www.sustainenergyfinance.org/
[36] https://nevadacef.org/
[37] https://www.leg.state.nv.us/NRS/NRS-701B.html#NRS701BSec930

## Maryland Clean Energy Center (quasi-public and 501(c)(3))

The Maryland Clean Energy Center (MCEC)[38] was established as the state's Green Bank by the Maryland General Assembly in 2008. It is an instrumentality of the state, tasked with advancing clean energy and energy efficiency initiatives to drive economic development, create jobs, and improve the environment. The Climate Catalytic Capital (C3) Fund within MCEC was established with the passage of the Climate Solutions Now Act (CSNA) of 2022[39] to increase implementation of clean energy measures and technologies intended to reduce greenhouse gas emissions and mitigate the effects of climate change. An allocation of $15 million over three fiscal years was committed to the C3 Fund beginning in FY24, with a minimum of 40% of the Fund's investments assisting low-income households and communities throughout Maryland. In addition, the 2026 legislative session approved a further $23.75 million for the C3 Fund and an additional $4 million for operating capital. The documented economic impact of the Green Bank helped justify the recent appropriation[40].

## Massachusetts Community Climate Bank (quasi-public)

The Massachusetts Community Climate Bank (MCCB) was established by Governor Maura Healey in 2023 as the nation's first Green Bank dedicated to affordable housing, seeded with $50 million in state funds drawn from the Department of Environmental Protection's Climate Mitigation Trust, which is funded by auction proceeds from the in-state cap on emissions from electricity-generating facilities under the Regional Greenhouse Gas Initiative (RGGI) and alternative compliance payments under the Clean Energy Standard. The bank was structured to operate out of MassHousing, the state's independent affordable housing finance and investment bank, working closely with the Massachusetts Clean Energy Center (MassCEC) and MassDevelopment.



*Massachusetts Community Climate Bank*

[38] https://www.mdcleanenergy.org/
[39] https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/sb0528?ys=2022RS
[40] https://www.mdcleanenergy.org/wp-content/uploads/2026/01/MCEC_Final_Report_C.pdf

## About the U.S. Green Bank 50

The U.S. Green Bank 50 is a member-created, member-led national network of state, regional, and local Green Banks. These non-depository, mission-driven lenders finance clean energy and climate projects in underserved communities and act as trusted local project originators. GB 50 provides critical support to its members with technical assistance, shared resources, pooled credit facilities, and by serving as the collective national voice for community-scale climate lenders.

Learn more at: https://www.usgreenbanks.org/.

## About the State Support Center

The State Support Center, a nonprofit initiative of S2 Strategies, helps states access the expertise and capacity support they need to effectively develop and deploy policies, programs, and investments that advance their energy goals. From cutting energy bills and creating jobs, to increasing local industry's global competitiveness and reducing emissions, the State Support Center works to match states with best practices and nonprofit implementation partners that know how to help.

Learn more at: https://www.statesupportcenter.org/



# Acknowledgments

**This playbook was developed with direct input from expert practitioners across the Green Bank community, and we are especially grateful to the following individuals:**

**Colin Bishopp**
FASTPace

**Kerry O'Neill**
Inclusive Prosperity Capital

**Sam Cramer**
National Association of State Energy Officials

**Chris Meister**
Illinois Finance Authority (former)

**Miguel Yanez-Barnuevo**
Environmental and Energy Study Institute

**Paul Sharfenberger**
Collective Clean Energy Fund

**Shawna Cuan**
Sustain Energy Finance

**Paul Williams**
Center for Public Enterprise

**Advait Arun**
Center for Public Enterprise

**Sally Talberg**
Michigan Saves

**Martha Campbell**
Michigan Saves

**Eric Shrago**
Connecticut Green Bank

**Bert Hunter**
Connecticut Green Bank

**Maryrose Myrtetus**
Philadelphia Green Capital Corp

**Gwen Yamamoto Lau**
Hawaii Green Infrastructure Authority

**Stephen Morel**
Montgomery County Green Bank

We would also like to recognize the members of the U.S. Green Bank 50 and State Support Center teams who contributed to the development of this playbook: Authored by Alicia Noriega and Melissa Cheatham, with the collective efforts, expertise, and collaboration of Dan Adler, Bennett Byerley, Rachel Chamberlain, Rishika Ghosh, Franz Hochstrasser, Gabriela Matute, Shara Mohtadi and Sam Ricketts.



*Inclusive Prosperity Capital*

STATE SUPPORT CENTER

S2 Strategies

For more information, visit
https://www.statesupportcenter.org

U.S. GREEN BANK 50

For more information, visit
usgreenbanks.org