

SECOND REGULAR SESSION

# HOUSE BILL NO. 1725

102ND GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE O'DONNELL.

3643H.011

DANA RADEMAN MILLER, Chief Clerk

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## AN ACT

To amend chapter 108, RSMo, by adding thereto one new section relating to municipal green bonds.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 108, RSMo, is amended by adding thereto one new section, to be known as section 108.371, to read as follows:

**108.371. 1. As used in this section, "eligible green project" means a project or activity that relates to and supports a positive environmental impact including, but not limited to, assets, investments, and other related and supporting expenditures that relate to any of the following or other similar categories:**

**(1) Renewable energy including, but not limited to, production, transmission, and appliances and products;**

**(2) Energy efficiency, such as in new and refurbished buildings, energy storage, district heating, smart grids, and appliances and products;**

**(3) Pollution prevention and control including, but not limited to, reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy or emission-efficient waste to energy;**

**(4) Environmentally sustainable management of living natural resources and land use including, but not limited to, environmentally sustainable agriculture, environmentally sustainable animal husbandry, climate-smart farm inputs such as biological crop protection or drip-irrigation, environmentally sustainable fishery and aquaculture, environmentally sustainable forestry including, but not limited to, afforestation or reforestation, and preservation or restoration of natural landscapes;**

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18           **(5) Terrestrial and aquatic biodiversity conservation including, but not limited**  
19 **to, the protection of coastal, marine, and watershed environments;**

20           **(6) Clean transportation, such as electric, hybrid, public, rail, nonmotorized,**  
21 **multimodal transportation, infrastructure for clean energy vehicles, and reduction of**  
22 **harmful emissions;**

23           **(7) Sustainable water and wastewater management including, but not limited to,**  
24 **sustainable infrastructure for clean or drinking water, wastewater treatment,**  
25 **sustainable urban drainage systems, and river training and other forms of flooding**  
26 **mitigation;**

27           **(8) Climate change adaptation including, but not limited to, efforts to make**  
28 **infrastructure more resilient to impacts of climate change, as well as information**  
29 **support systems, such as climate observation and early warning systems;**

30           **(9) Circular-economy adapted products, production technologies, and processes,**  
31 **such as the design and introduction of reusable, recyclable, and refurbished materials,**  
32 **components, and products; circular tools and services; and certified eco-efficient**  
33 **products; and**

34           **(10) Green buildings that meet regional, national, or internationally recognized**  
35 **standards or certifications for environmental performance.**

36           **2. For a municipal bond issued in this state to be rated, certified, or validated as**  
37 **a green bond, at least eighty-five percent of the bond proceeds shall be used for eligible**  
38 **green projects.**

39           **3. (1) Except as provided in subdivision (2) of this subsection, notwithstanding**  
40 **any other provision of law to the contrary, the interest on and income from a municipal**  
41 **bond that is rated, certified, or validated as a green bond shall be exempt from income**  
42 **taxation by this state.**

43           **(2) The exemption from income taxation provided under subdivision (1) of this**  
44 **subsection shall not apply to a municipal bond that is rated, certified, or validated as a**  
45 **green bond and that is issued to finance a project by a private entity.**

46           **4. (1) The state auditor may conduct an audit of municipal green bonds issued**  
47 **by a municipality to review whether such bonds comply with the requirements of this**  
48 **section for being rated, certified, or validated as a green bond. The state auditor may**  
49 **conduct such audit at the state auditor's discretion and shall conduct such audit in the**  
50 **same manner as the state auditor conducts other similar audits under chapter 29.**

51           **(2) If a review of a municipal green bond determines that less than eighty-five**  
52 **percent of the bond proceeds were or are being used for eligible green projects, the**  
53 **green bond rating, certification, or validation on such municipal bond shall be void, the**  
54 **exemption from state income taxation provided under subsection 3 of this section for the**

55 interest on and income from such municipal bond shall be void, and the bond holder  
56 may recoup the amount of such taxes from the issuer of the bond.

57       **5. To protect municipal green bond holders and provide moneys for such bond**  
58 **holders to recoup the amount of taxes as provided in subsection 4 of this section, a**  
59 **municipality that issues a municipal green bond shall establish a green bond holder**  
60 **protection fund separate from the municipality's debt service reserve fund or equivalent**  
61 **fund. The amount maintained in the green bond holder protection fund shall be equal**  
62 **to at least the amount of interest to be paid each year on such municipal green bond**  
63 **multiplied by the top state income tax rate.**

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