



Inflation Reduction Act & Schools: **New federal funding for healthy, sustainable,** **cost-effective schools**

August 13, 2024 - NASEO

Photo credit: Hoffman Planning,
Design & Construction, Inc.

Who we are



Our mission is to support America's K-12 public schools to make an equitable transition to zero carbon emissions while preparing our youth to build a sustainable future in a rapidly changing climate.



-  Awareness building
-  Thought leadership
-  Policy development & advocacy
-  Coalition-building

The Inflation Reduction Act is here!

Implementing America's Clean Energy Future

This report provides recommendations for how state and local governments, federal agencies, and other interested parties can work together to advance climate leadership at the state and local levels.



The Inflation Reduction Act Reduces Emissions and Income Inequality

The Inflation Reduction Act helps low-income households save money on clean energy, home retrofits, and transportation, while building resilience to climate change and economic insecurity.

Schools Can Use These Little-Known, Unlimited Funds to Make Their Buildings Greener

By Mark Lieberman — October 10, 2023 5 min read

How many jobs is the Inflation Reduction Act spurring? A lot

A new analysis finds 400,000-plus jobs will be created from the 210 EV, battery and clean energy projects launched since the climate law passed.

By Jeff St. John
1 November 2023



How States can support schools with Elective Pay

01

Build awareness & support peer learning about the Inflation Reduction Act's clean energy tax credits

02

Support planning & analysis that helps schools understand the benefits of clean energy

03

Align & increase state investment in school infrastructure

04

Remove friction and create incentives for clean energy adoption in schools

05

Build capacity at all levels to advance clean energy projects and maximize Elective Pay opportunities

Preview from our forthcoming playbook for state leaders. Coming Fall 2024.

How States can support schools with Elective Pay

01

Build awareness & support peer learning about the Inflation Reduction Act's clean energy tax credits



**Today's
focus!**

02

Support planning & analysis that helps schools understand the benefits of clean energy

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Build capacity at all levels to advance clean energy projects and maximize Elective Pay opportunities

Clean energy not just for “taxpayers” anymore

Eligible equipment put into service after January 1, 2023 qualifies for Direct Pay.

The IRS uses the term “Elective Pay” for the same concept.



DIRECT PAY THROUGH THE INFLATION REDUCTION ACT

 CLEAN ENERGY

<https://www.whitehouse.gov/cleanenergy/directpay/>



State, Local, and Territorial Governments



Tribal and Native Entities



Rural Energy Cooperatives



Other Tax-Exempt Entities

Schools are intended recipients of clean energy tax credits



An official website of the United States Government

U.S. DEPARTMENT OF THE TREASURY

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PRESS RELEASES

FACT SHEET: Inflation Reduction Act Tax Credits Can Fund School Facilities Upgrades and Reduce School District Energy Bills

January 4, 2024

FACT SHEET: Inflation Reduction Act Tax Credits Can Fund School Facilities Upgrades and Reduce School District Energy Bills

According to the U.S. Department of Energy, K-12 school districts spend nearly \$8 billion annually on energy costs, the second largest expense after teacher salaries. Aging facilities combined with limited school budgets can result in deferred maintenance of facilities, with current estimates of

FACT SHEET: Biden-Harris Administration Hosts First-Ever White House Summit for Sustainable and Healthy Schools

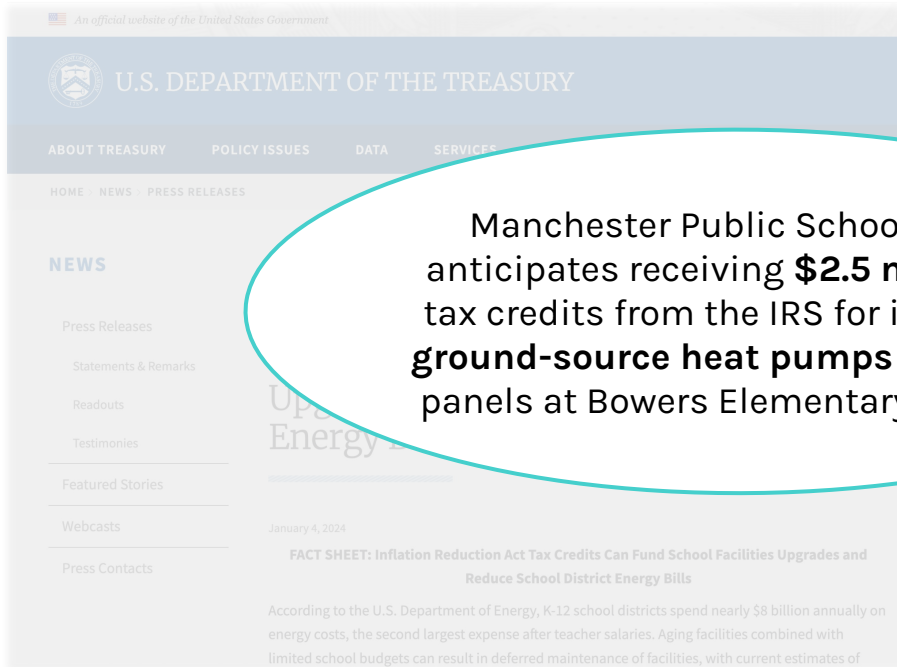
- **Manchester Public Schools (CT)** anticipates receiving \$2.5 million in tax credits from the IRS for installing ground source heat pumps and solar panels at Bowers Elementary School in 2023.
- **Seattle Public Schools (WA)** anticipates receiving \$7.5 million in tax credits from the IRS for installing ground source heat pumps and solar panels at 3 elementary schools in 2023.
- **Williamsfield Schools (IL)** anticipates receiving \$100,000 in tax credits from the IRS for 7 Electric School Buses funded through the EPA Clean School Bus rebates and 11 Electric Vehicle charging stations that were put into service in 2023.

See:

[US Dept of Treasury Fact Sheet](#), Jan 2024

[White House Fact Sheet](#), April 2024

The proof points are starting to emerge



Manchester Public Schools (CT) anticipates receiving **\$2.5 million** in tax credits from the IRS for installing **ground-source heat pumps and solar panels** at Bowers Elementary in 2023.

FACT SHEET: Biden-Harris Administration Hosts First-Ever White House Summit for Sustainable and Healthy Schools

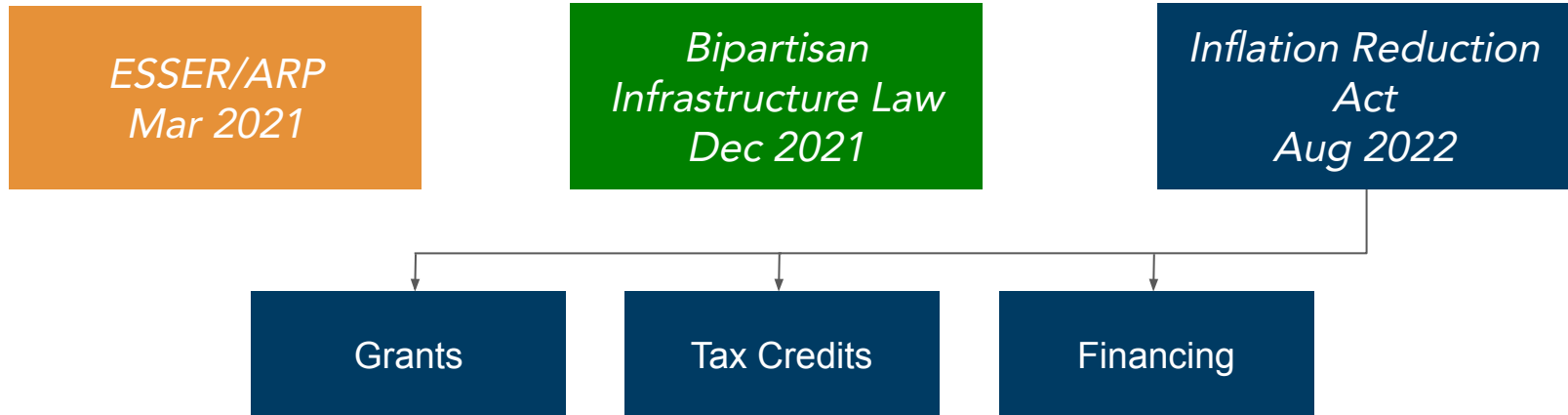
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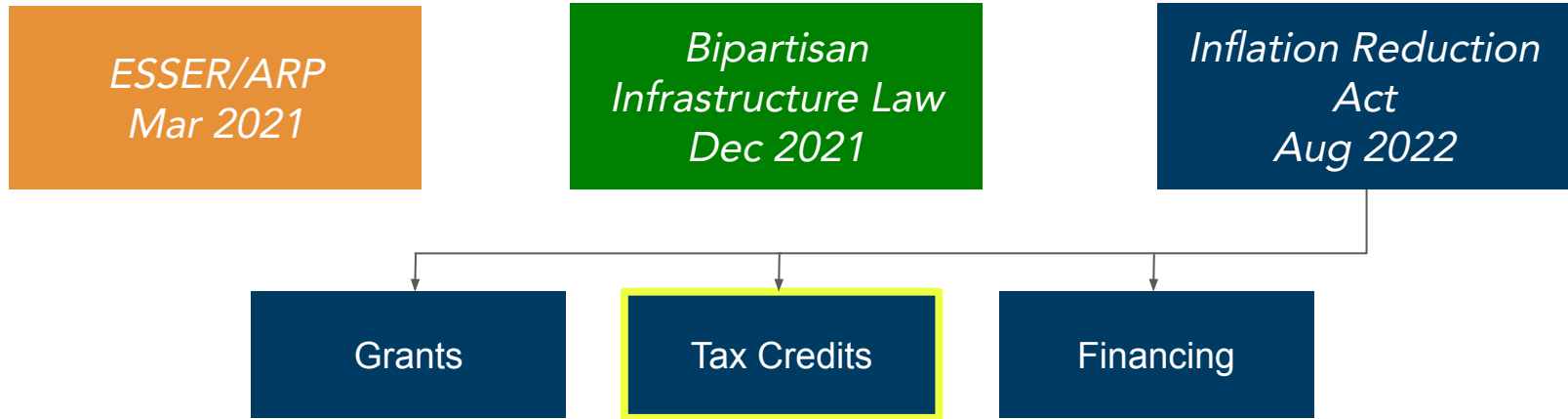
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See:
[US Dept of Treasury Fact Sheet](#), Jan 2024
[White House Fact Sheet](#), April 2024

The federal funding context for schools



Largest opportunity -> clean energy tax credits



...and they are available now!

What's so special about the clean energy tax credits?

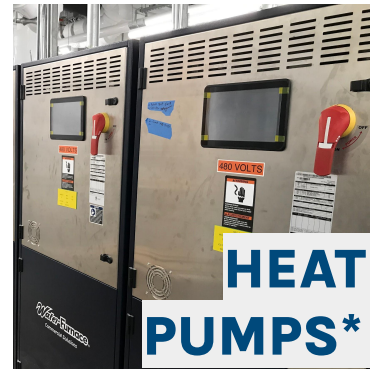
Non-competitive

Cash
reimbursement

Available until
2032+

Unlimited
funding

The IRA provides funding for these clean energy technologies



Clean heating and cooling



Clean transportation



Clean energy



Store clean energy



Enable clean transport

*Just ground-source heat pumps, not air-source

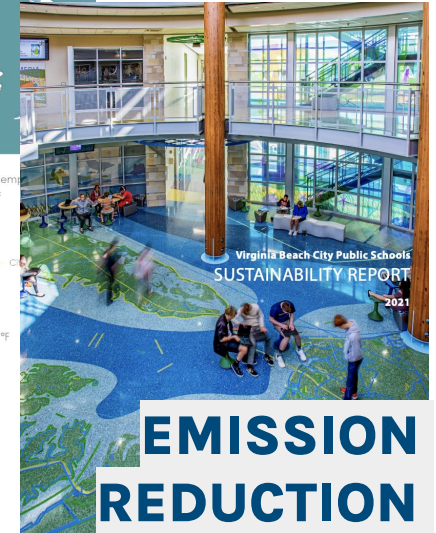
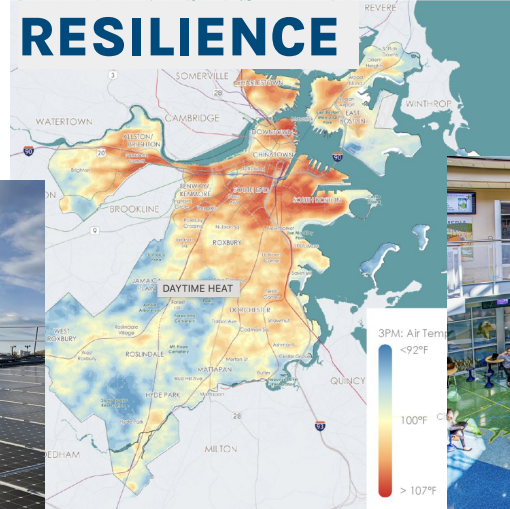
How clean energy benefits students and school communities

STUDENT HEALTH & LEARNING



COST SAVINGS

RESILIENCE



EMISSION REDUCTION

Resources that drill down on benefits of clean energy for schools

ARMI ⚡ **UNDAUNTEDK12**

HVAC Choices for Student Health and Learning

What Policymakers, School Leaders, and Advocates Need to Know



Photo by Allison Shelley/The Verbatim Agency for EDUimages

Report / January 2023

FOURTH EDITION
SEPTEMBER 2022

Brighter Future

A Study on Solar in U.S. K-12 Schools

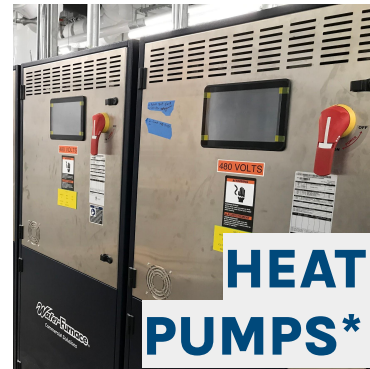
Generation180

Electric Buses

Clean Transportation for Healthier Neighborhoods and Cleaner Air

FRONTIER GROUP **U.S. PIRG**
Education Fund **ENVIRONMENT AMERICA**
FOR A BETTER WORLD

These non-competitive, unlimited tax credits are available today to all schools



Sec 48:
Investment
Tax Credit

Sec 45W:
Commercial
Clean Vehicle
Tax Credit

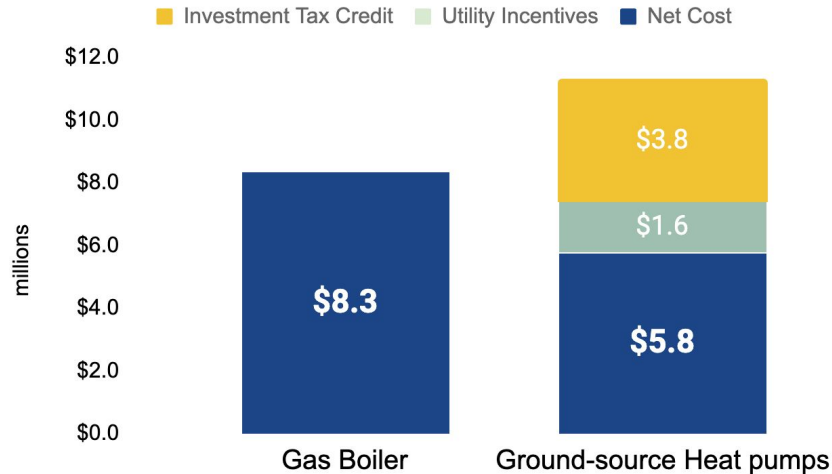
Sec 30C:
Alternative
Fuel Refueling
Property

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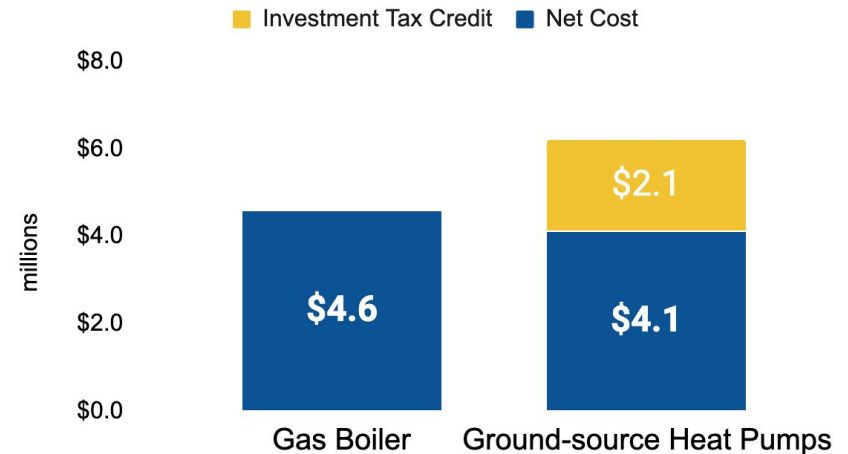


Tax credits can make clean energy the most affordable option

Massachusetts - New School Construction



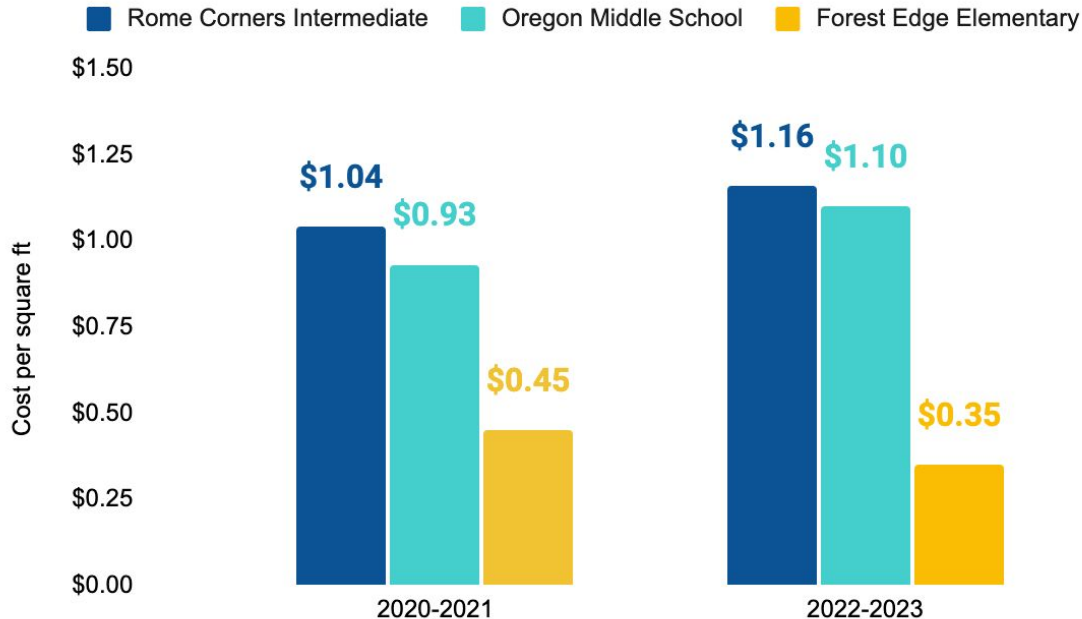
Wisconsin - New School Construction



Notes: See [Amherst Fort River case study](#), a new construction project in Massachusetts.

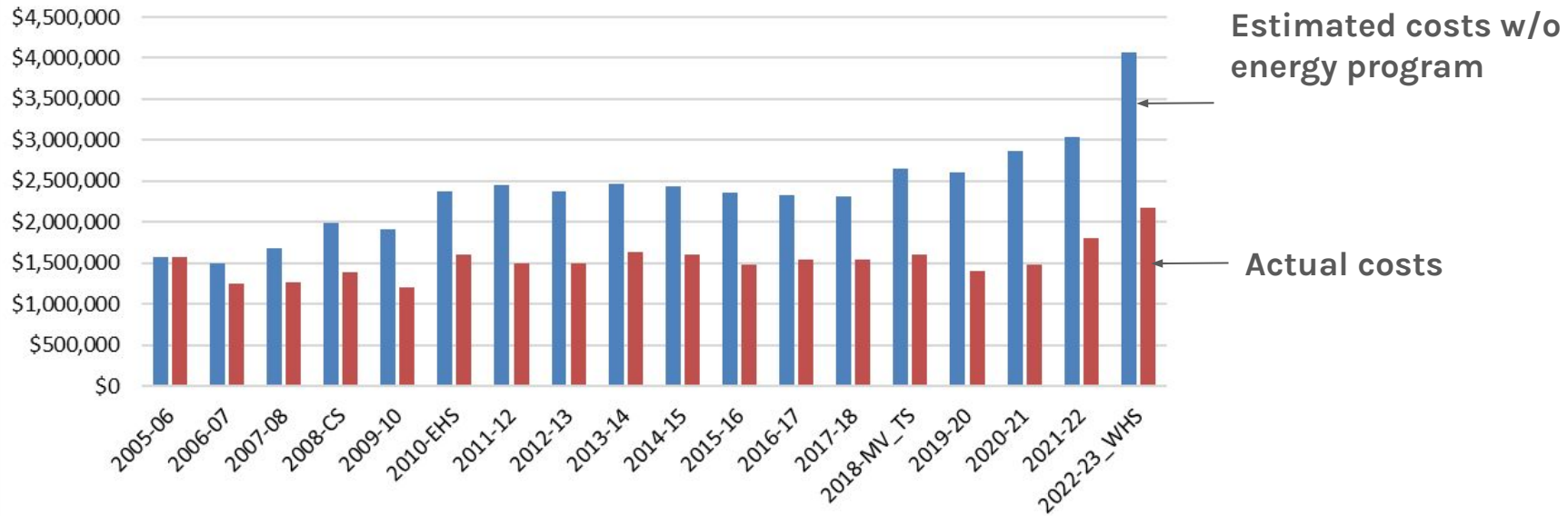
Oregon school district sees lower operating costs with ground-source heat pumps & solar

Comparing operational costs



Operational savings add up through time

A focus on efficient buildings with ground-source heat pumps has generated over **\$15M in savings** since 2005 in this Wisconsin school district.



■ Total Calculated Costs @ 2005 Intensities

■ Total Costs

Understanding the goals of the IRA

Labor Standards

Prevailing wage and apprenticeship requirements

IRSA Registered Apprenticeships: Each taxpayer (or contractor or subcontractor) who employs two or more workers to perform construction, alteration, or repair work on a facility must employ one or more qualified apprentices when the apprenticeship requirements apply. In addition, a minimum percentage of the total labor hours of the construction, alteration, or repair work must be performed by qualified apprentices in a registered apprenticeship program. This percentage is 10.6 percent for facilities beginning construction in 2022 and is 15 percent for facilities beginning construction in 2023 or after. Taxpayers or contractors or subcontractors must also ensure that any applicable ratio of apprentices to journey workers established by the registered apprenticeship program are met. An exception may apply when a taxpayer or contractor or subcontractor has not met the defined apprentice from a registered apprenticeship program and no apprentices are available. For more information or to learn about finding apprentices, see Inflation Reduction Act Apprenticeship Resources.

Recordkeeping Requirements: Taxpayers claiming an increased amount for a particular tax incentive by meeting the prevailing wage and apprenticeship requirements are subject to specific recordkeeping requirements. Taxpayers must maintain and preserve records related to the employment of laborers, mechanics, and apprentices, including the location of their construction or construction activities.

Click [here](#).

Target Communities

Communities with coal closure, unemployment, rural area, low-income

Energy Community Tax Credit Bonus

LEGEND

- Coal Closure Energy Communities
- MA/Non-MA that are Energy Communities

MA/Non-MA that are Energy Communities

- MA/Non-MA that meet both the Fuel Fuel Employment (FE) threshold and the unemployment rate requirement

MAP LAYERS

- Coal Closure Energy Communities
- MA/Non-MA that are Energy Communities
- MA/Non-MA that only meet the Fuel Fuel Employment Threshold

See maps [here](#), [here](#) and [here](#).

Domestic Content

Use of 100% domestic steel & iron and % of manufactured products

BLUEGREEN ALLIANCE

Domestic Content Bonus for Clean Energy Tax Credits

A User Guide for Project Developers

The Inflation Reduction Act of 2022 offers a historic investment in the clean energy economy, U.S. manufacturing, and family sustaining jobs. Core to the law is a set of tax credits to spur deployment of clean energy projects. The law also establishes several bonus credits that can be layered on top of these base credits for projects that meet certain requirements. This guide is focused on one particular bonus credit: the 10% domestic content bonus credit. The U.S. Treasury Department released interim guidance on this bonus credit in May 2023. To access this domestic content bonus credit, developers can rely on U.S.-made iron and steel and an array of solar, wind, and battery components that are already domestically produced. Additional domestic capacity, including for segments where U.S. capacity is limited or non-existent, is needed to meet the demand for these components. This legacy of outsourcing has contributed to deep U.S. dependency on highly concentrated overseas supply chains for solar, wind, battery, and other clean technologies. As we build the growing clean energy economy, we face a clear choice. We can continue to hitch our climate goals to vulnerable overseas supply chains that are marred by labor abuses, higher levels of pollution, and obnoxious byproducts. Or we can build our

See IRS guidance [here](#).

Prevailing Wage & Apprenticeship (PWA)

- Prevailing wage
 - Taxpayer, contractor or subcontractors must pay all laborers & mechanics at least Federal prevailing wage (see [SAM](#) for wage determination)
- Apprenticeship
 - By *hours*: 10- 15% of the total labor hours performed in the construction, alteration, or repair of the facility are performed by qualified apprentices from a registered apprenticeship program.
 - By *contractor*: Any contractor that employs 4 or more individuals must employ at least 1 apprentice
 - By *ratio*: Maintain the daily ratio of apprentice to journeyworker as defined by the registered apprenticeship program
- Application
 - Prevailing wage apply to workers during construction and for any repair & alterations during first 5-10 years after system is put into service

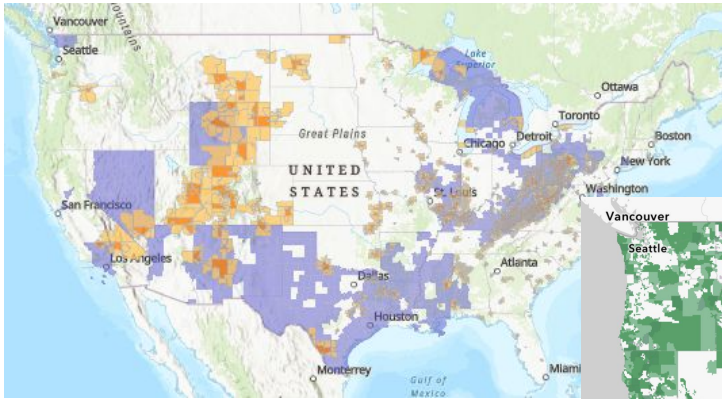
Two Exceptions:

- ★ Under 1 MW AC
- ★ “Commence construction” prior to 1/29/23

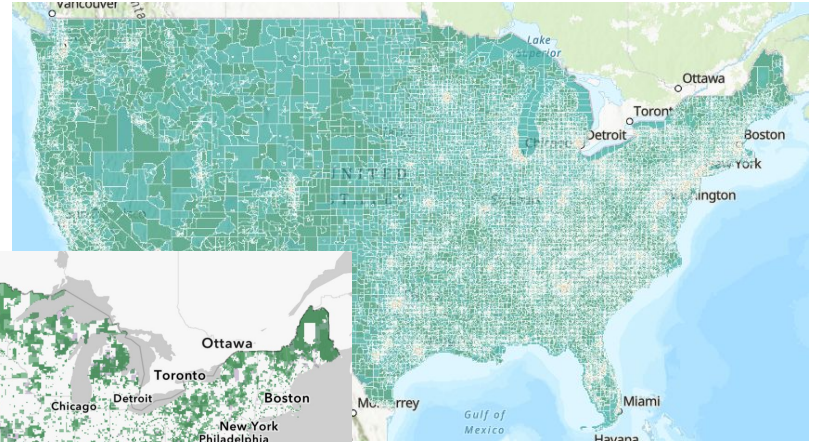
- Pre 2023 = 10%
- 2023 = 12.5%
- 2024 and beyond = 15%

Where the project is located matters

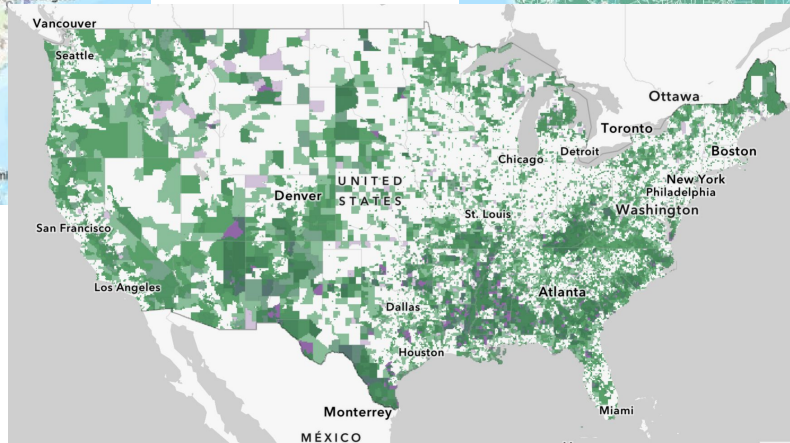
Energy Community +10% Bonus Adder



Low-income Community Bonus +10-20%
(competitive for solar & wind projects only)



30C EV Charging Equipment Eligibility



Domestic Content

- For project materials that are “made primarily of steel or iron and are structural in function”, 100% must be domestically produced
- For “manufactured products” a certain % must be sourced domestically
 - 40% in 2024
 - 45% in 2025
 - 50% in 2026
 - 55% in 2027
- Proposed guidance published May 2023. Additional guidance w safe harbor option for selected technologies published [May 2024](#). Still awaiting final guidance.



How do I calculate the size of my Investment Tax Credit?

- ✓ All locations qualify for base credit. New construction and renovations qualify.

What was the cost of your project?

Cost basis

For what base and bonus credits does your project qualify?

Credits

How did you pay for the project?

Adjustments

What are eligible costs in a ground-source heat pump project?

Eligible costs include every part of the mechanical systems required to make a complete package including:

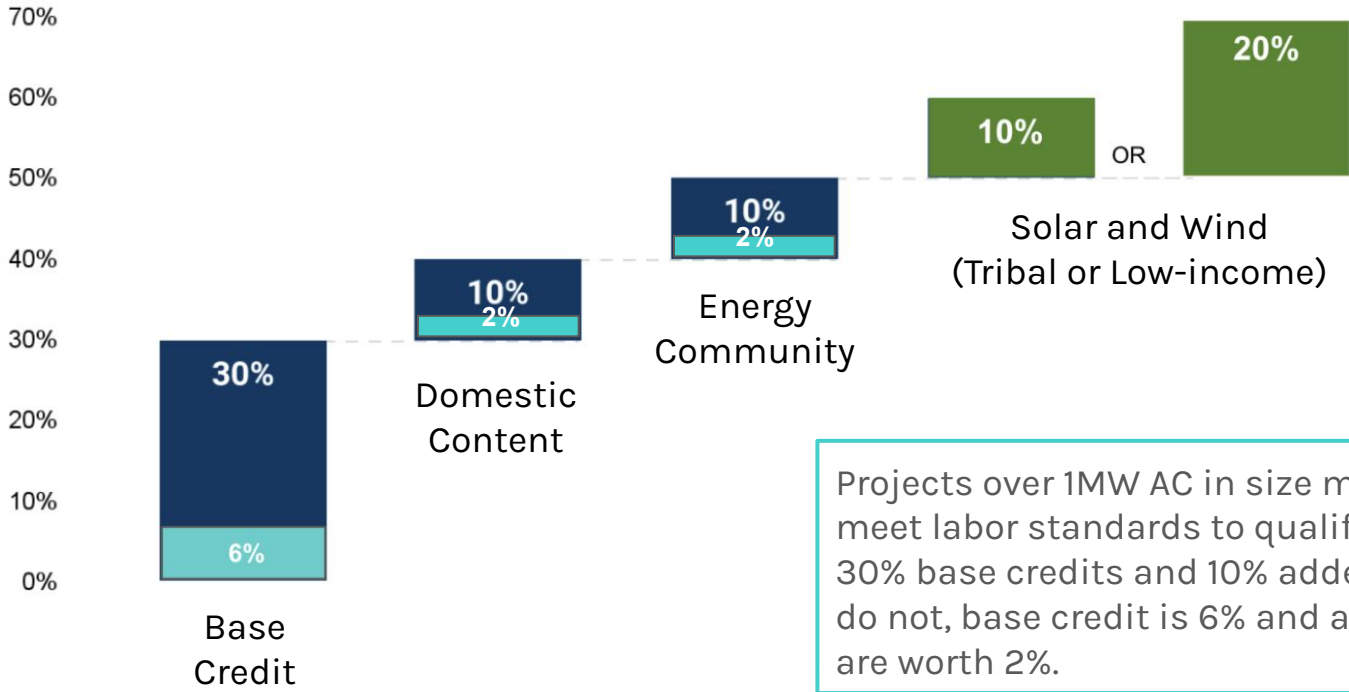
- boreholes / wells
- distribution piping
- electrical,
- controls,
- heat pump equipment,
- all required peripherals (pumps and VFD's, etc.)
- labor.

What if it's a hybrid system?

- If 0-49% of energy used by ground source - No credit!
- If 50%-100% of energy used by ground source - pro-rata credit



Base and bonus credits for Sec 48 ITC



Making adjustments for tax-exempt financing

A school installs a ground-source heat pump (220 tons*). The total cost of the eligible equipment is \$6M. The projects meets the domestic content requirements.

Example: 100% of eligible costs sourced through tax-exempt debt

$$\begin{array}{c} (30\% + 10\%) = 40\% = \$2.40\text{M} \\ \text{Base credit} \quad \text{Domestic content} \end{array}$$

$$\text{Less } 15\% = \$0.36\text{M}$$

$$\text{Estimated tax credit} = \mathbf{\$2.04\text{M}}$$

*Note: ~284 tons of GSHP is equivalent to 1 MW

Sec. 48: Investment Tax Credit - Example

	Cost basis	Rate	Adjusted rate	=	Estimated value
Ground-source heat pumps	\$10,000,000	40%	34%		\$3,400,000
Solar	\$2,000,000	30%	25.5%		\$510,000
Energy storage	\$500,000	30%	25.5%		\$127,500
Total estimated Investment Tax Credit					\$4,037,500

What is the process?

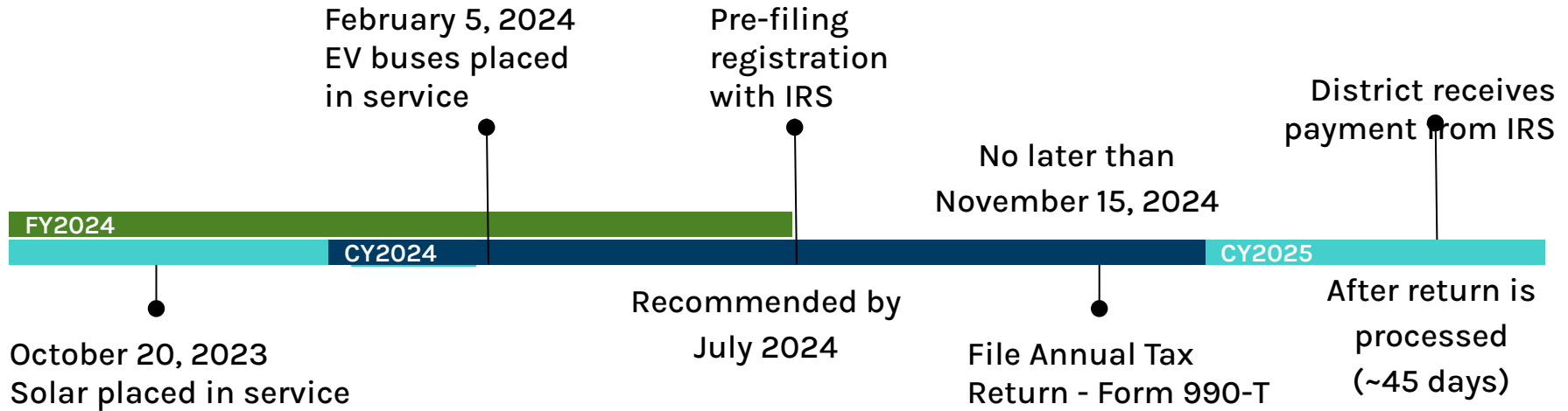


\$ out ----- ► **\$ in**

* First time filers (e.g. no filings in the last 10 years) can choose to file on a calendar year or fiscal year basis. See: [89 FR 17546](#)



An example timeline



What you will hear from districts

Questions on viability of technology. Does it work in my climate?

Concerns about policy risk. Does the policy have staying power?

We'll believe it when we see it. Have any schools received funds yet?

Can I get my credit amount pre-approved by the IRS?

We face local constraints to clean energy

It's a reimbursement. How do we pay for this upfront?

Concern about a new process w the IRS. Who can help?

How will tax credit proceeds be treated? Where will they be allocated?

What will catch people by surprise

PWA is not the same as Davis Bacon and it's more than just wages

“No Excess Benefit” rule

“Single Energy Property” & 1 MW threshold

Calendar year vs fiscal year filings

Getting OEMs to “play ball” on domestic content

What is “Commence Construction”?

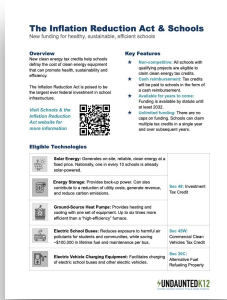
Interaction between domestic content & Elective Pay

e-Filing & software providers

Key resources (in order of learning curve)

Quick overview

1



2



“Beyond Grants” w DOE

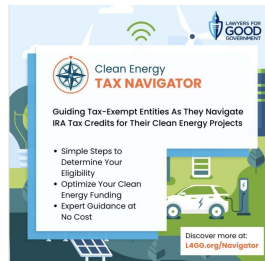
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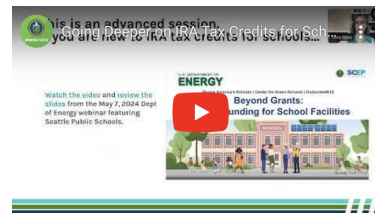
Tips for getting started

4

“Wizard” of eligibility



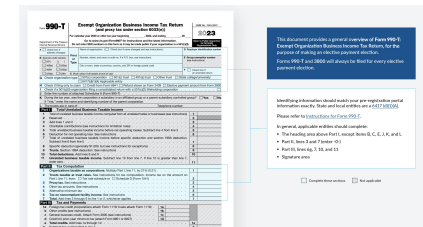
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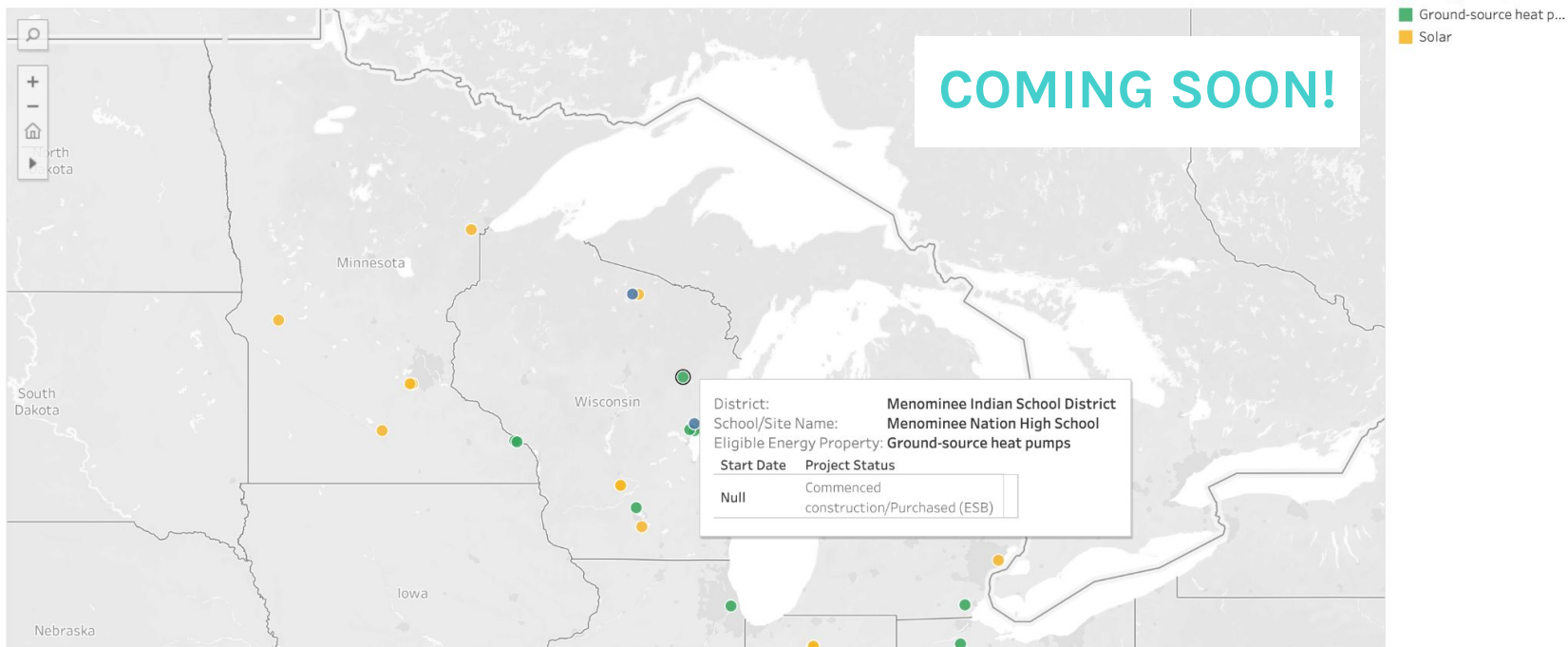
“Going Deeper” w DOE

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Annotated tax forms



Clean Energy Investments Eligible for IRA Elective Pay

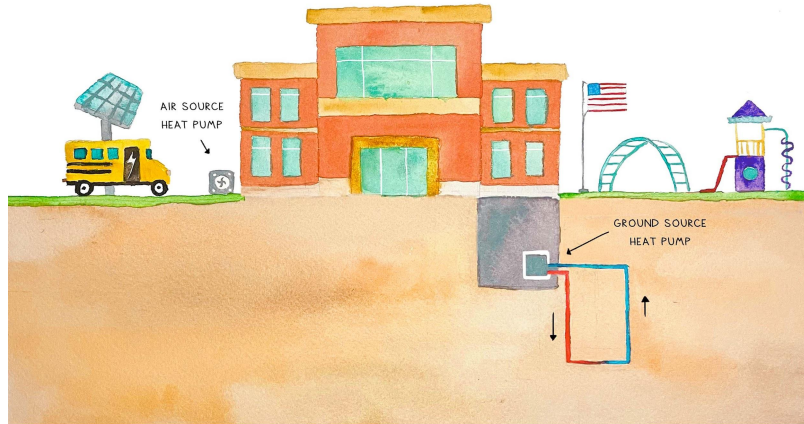


Tell us about Elective Pay projects in your state!

<https://forms.gle/UYfWVjKLigaL7V8d9>

Thank you!

COOL SCHOOLS HAVE HEAT PUMPS



Sara Ross, Co-founder
sara@undauntedk12.org

UNDAUNTEDK12
NICOLE KELNER