

Photo credit: Perkins Eastman

Inflation Reduction Act & Schools:

New federal funding for healthy, sustainable, cost-effective schools

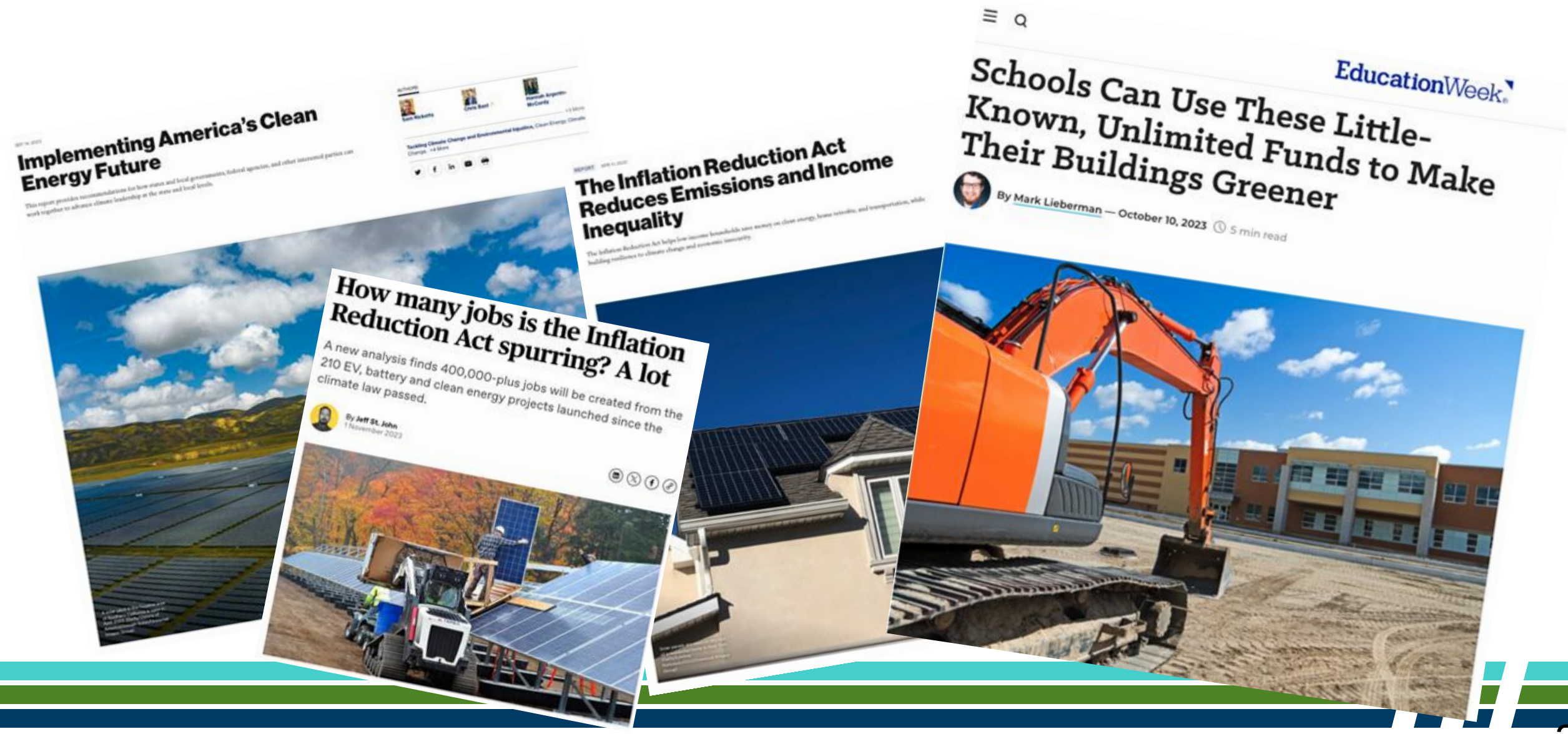
About us

UNDAUNTEDK12

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.

- Student health & learning
- Resilient communities
- Fiscal responsibility
- Young people’s call to action

The Inflation Reduction Act is here!



Schools are intended recipients of clean energy tax credits



An official website of the United States Government

U.S. DEPARTMENT OF THE TREASURY

ABOUT TREASURY | POLICY ISSUES | DATA | SERVICES | NEWS

HOME > NEWS > PRESS RELEASES

NEWS

- Press Releases
  - Statements & Remarks
  - Readouts
  - Testimonies
- Featured Stories
- Webcasts
- Press Contacts

PRESS RELEASES

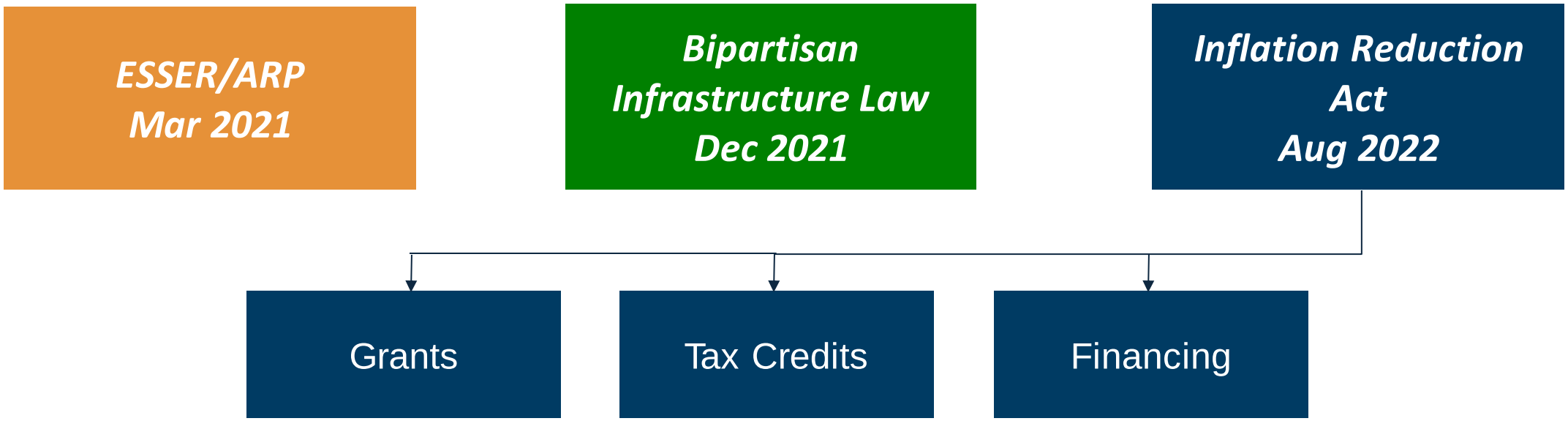
FACT SHEET: Inflation Reduction Act Tax Credits Can Fund School Facilities Upgrades and Reduce School District Energy Bills

January 4, 2024

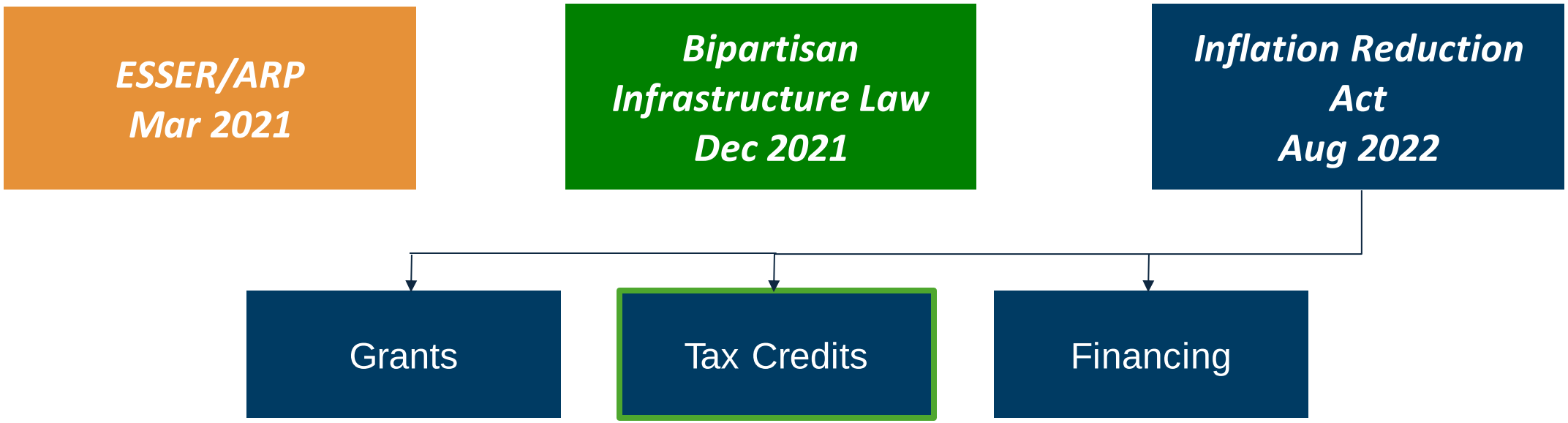
FACT SHEET: Inflation Reduction Act Tax Credits Can Fund School Facilities Upgrades and Reduce School District Energy Bills

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

The federal funding context for schools



Largest opportunity is the clean energy tax credits



….and they are available now!

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

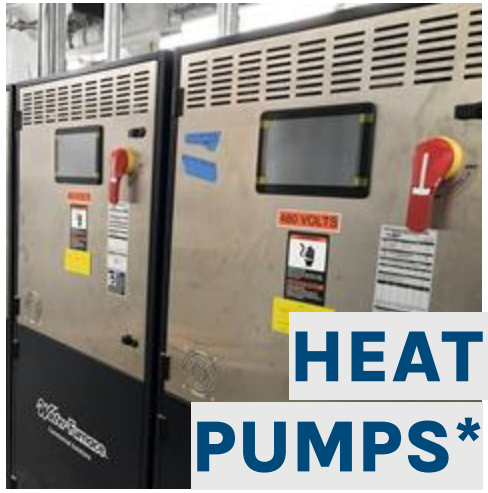
Non-competitive

Cash reimbursement

Available until 2032+

Unlimited funding

The IRA provides funding for these clean energy machines



HEAT PUMPS*

Clean heating and cooling



ELECTRIC VEHICLES

Clean transportation



SOLAR ENERGY

Clean energy



ENERGY STORAGE

Store clean energy

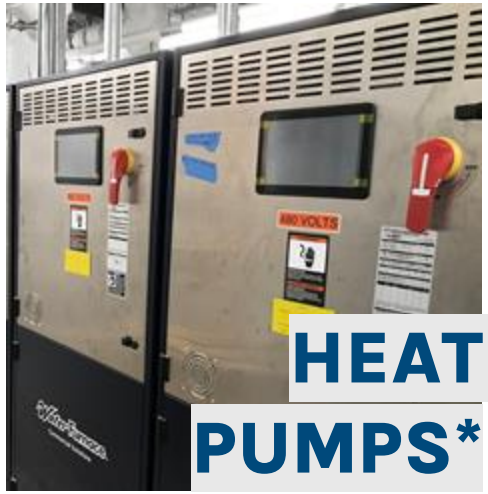


EV CHARGING

Enable clean transport

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

The IRA could be among the largest federal investments in school facilities. How?



HEAT PUMPS*

Typical credit **$3M**

$15BN

if 5,000 schools install



ELECTRIC VEHICLES

$40k per bus

$1.9BN*

if 48,000 buses



SOLAR ENERGY

Typical credit **$500k**

$5BN

if 10,000 schools install



ENERGY STORAGE

Typical credit **$300k**

$3BN

if 10,000 schools install



EV CHARGING

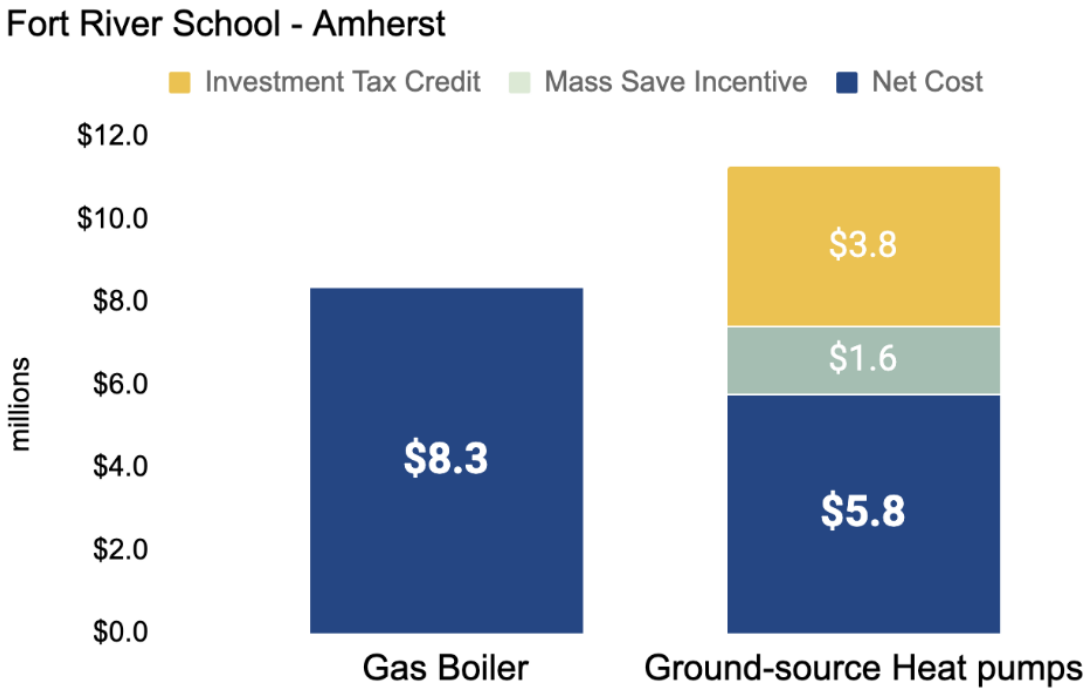
$100k per station

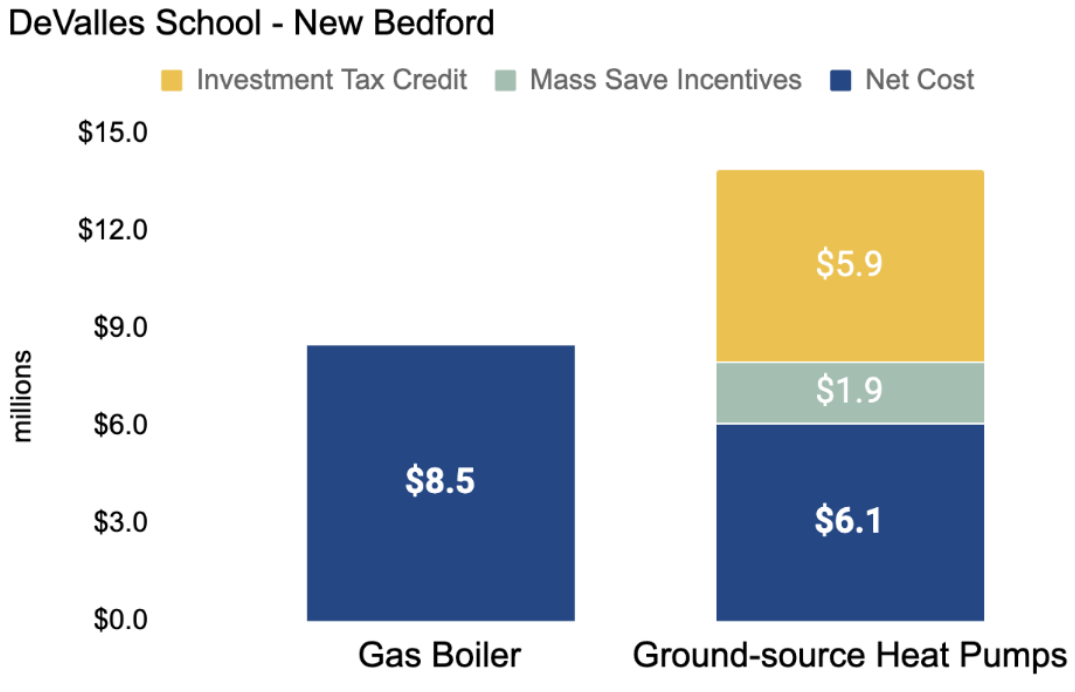
$4BN

if 40,000 installed

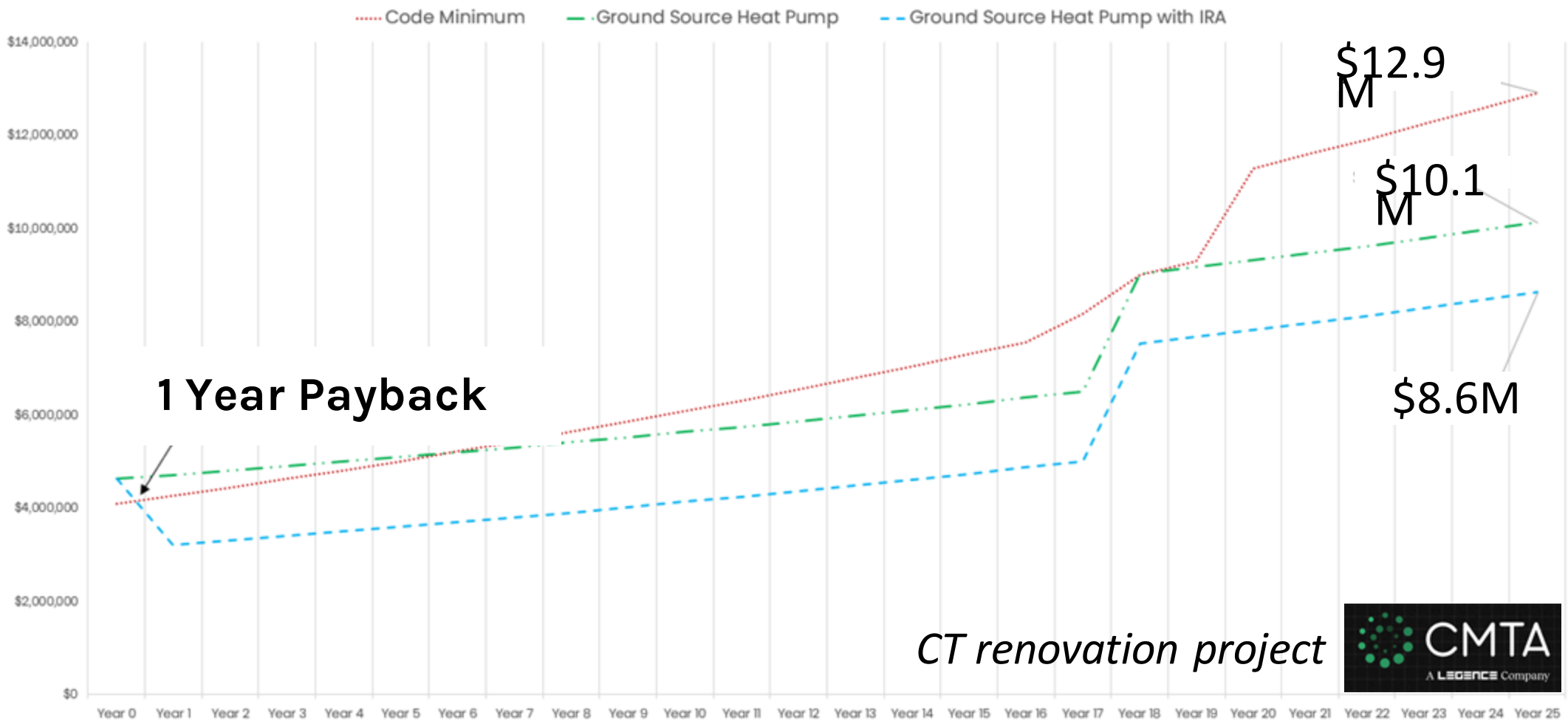
*This is in addition to $5BN for low / zero-emission school buses from the Bipartisan Infrastructure Law.

Tax credits can make clean energy the most affordable option





Lifecycle cost analysis shows significant savings



Policy goals & key concepts woven into the policy

Labor standards

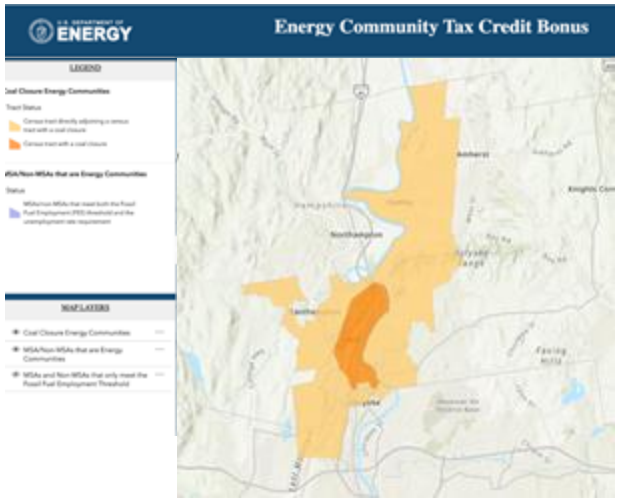
Prevailing wage and apprenticeship requirements



Click here.

Target Communities

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



Click here.

Domestic Content

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



Click here.

Tax credits support clean energy equipment at schools

1. Solar energy



Source: Generation180

2. Energy storage



Source: EnelX

3. Ground-source heat pumps



4. Electric school buses



5. EV charging equipment



Sec 48:
Investment Tax Credit

Sec 45W:
Commercial Clean Vehicle Tax Credit

Sec 30C:
Alternative Fuel Refueling Property

Sec. 48: Investment Tax Credit (ITC)

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

Cost basis

Cost of installing eligible equipment

Cost basis determined based on specific technology.

Base / Bonus Credits

6% - 50%
based on location, labor standards, domestic content, project size, commence construction date

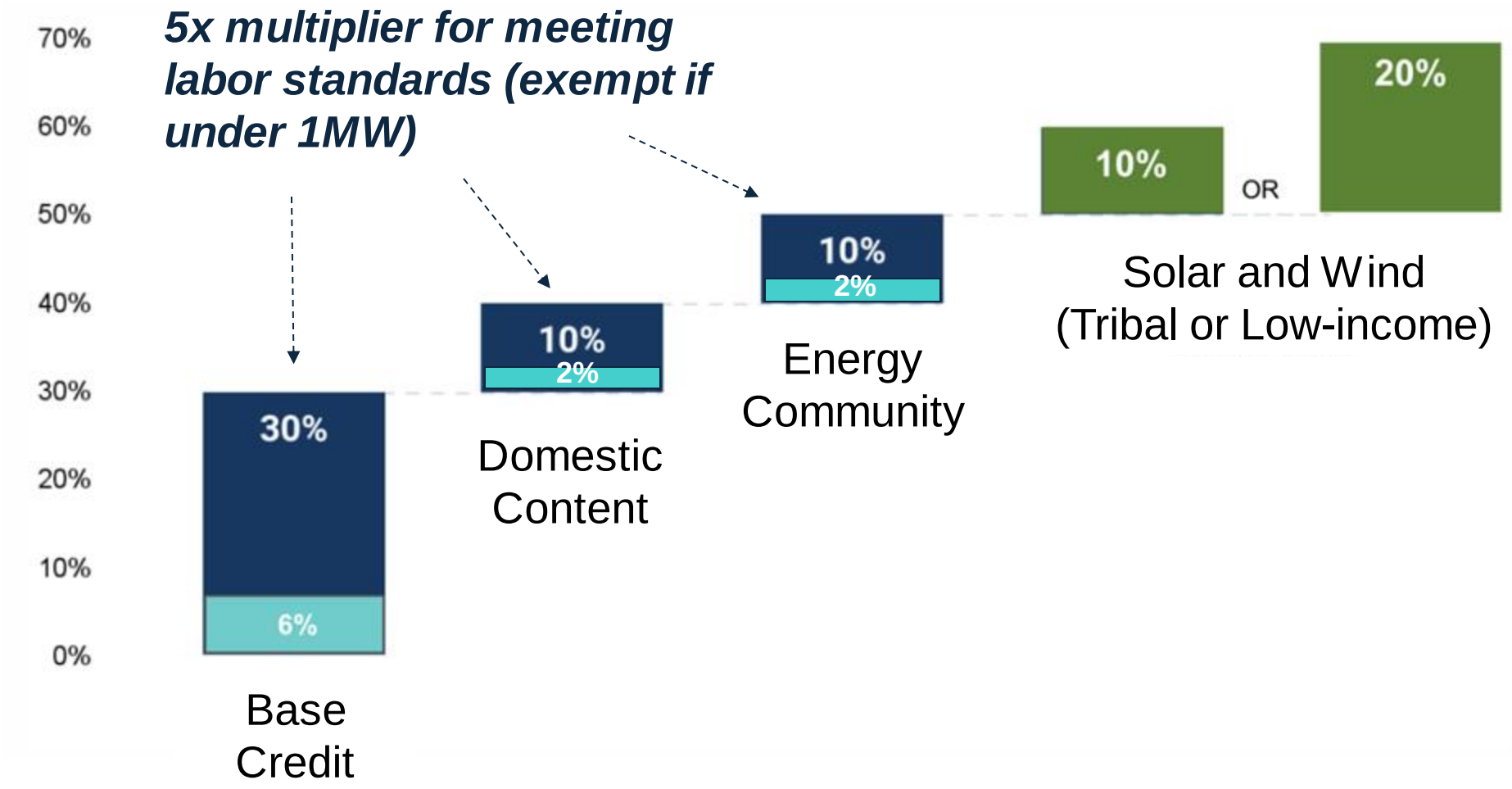
+ 10-20%
for solar & wind through competitive process for certain sites.

Other $?

Reduce by up to 15% for use of tax-exempt financing

Grants and tax credits can not exceed total costs.

Base and bonus credits for Sec 48 ITC



Example calculation

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. The district uses tax-exempt debt to pay for the installation.

(30% + 10%) = 40% less 15% = 34%

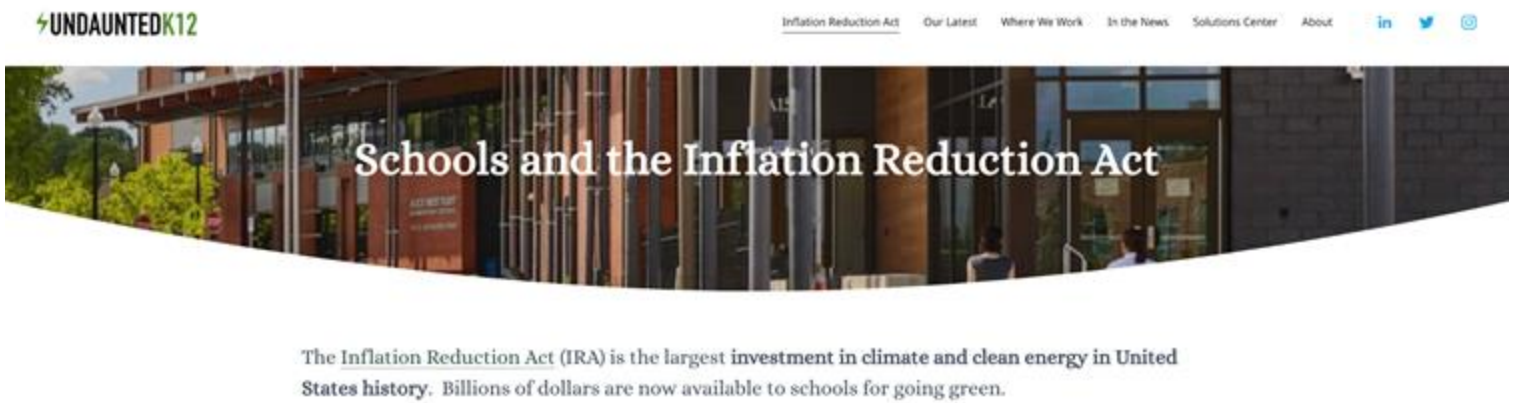
Base credit | Domestic content adder | Tax-exempt bonds

$6M x 34% = $2.04M

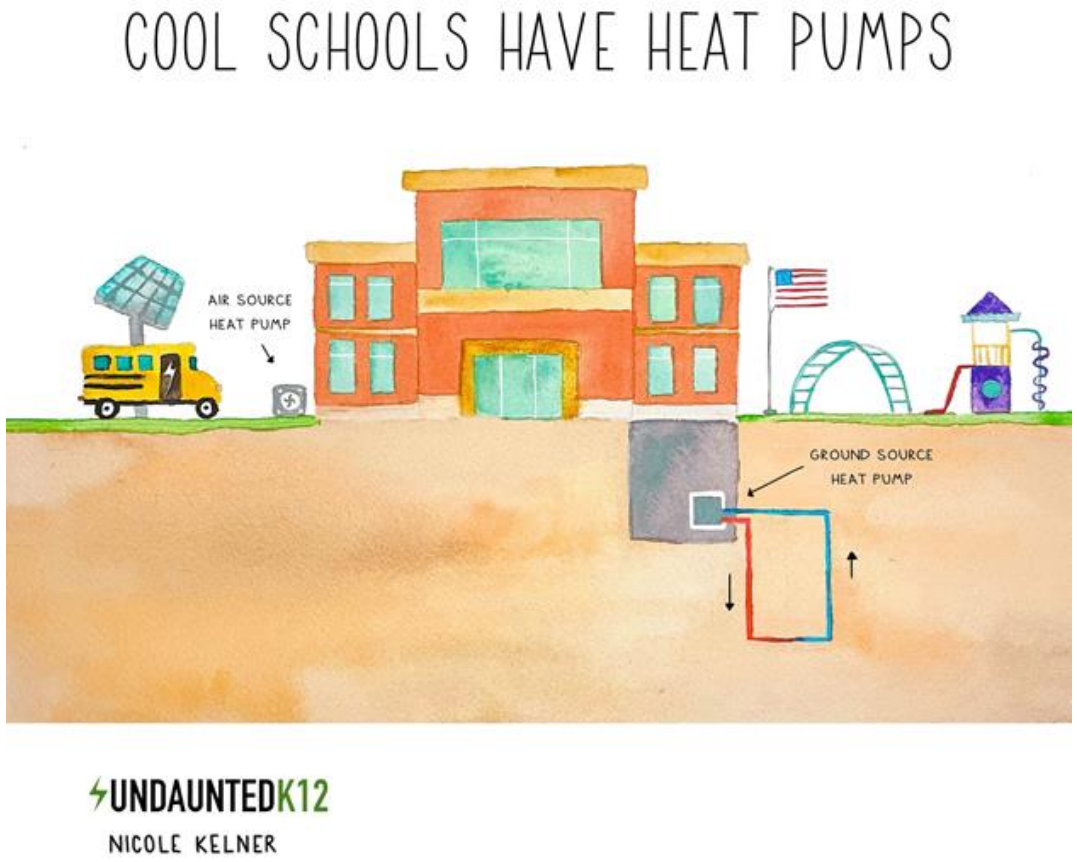
Sec. 48: Investment Tax Credit - Example

	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**

Resources for schools



https://www.undauntedk12.org/schools-and-the-ira



Thank you!

Sara Ross, Co-founder
sara@undauntedk12.org



Electric School Bus INITIATIVE

FEDERAL IRA TAX CREDITS FOR ELECTRIC SCHOOL BUSES

Natalia Akopian, Associate, Electric School Bus Initiative

APRIL 10, 2024

WORLD RESOURCES INSTITUTE

DISCLAIMER

This presentation is a summary of final guidance on the elective pay provision released by the IRS on March 5, 2024. This guidance may be superseded by any changes made by the IRS upon further iterations of guidance.

Although every effort has been made to provide complete and accurate information, WRI makes no warranties, express or implied, to the accuracy of this summary and assumes no liability for its use. You are strongly encouraged to review the official IRS guidance or any subsequent versions of the guidance the IRS may issue.

INFLATION REDUCTION ACT: CREDITS

- The Inflation Reduction Act (IRA) – enacted in August 2022 –established new tax credits for clean energy and climate investments, such as:

  - *__Section 45W__ (ESBs) = provides up to $40,000 per electric school bus (over 14,000 lbs)
  - *__Section 30C__ (chargers) = provides up to $100k per charging infrastructure for schools located in a "low-income community" OR "nonurban area"

**Eligible for direct/elective pay*

QUALIFIED COMMERCIAL CLEAN VEHICLE CREDIT (45W)

- Tax credit amount is calculated by the lesser of the two, with a maximum of $40,000 per ESB (over 14,000 lbs):
  - 30% of the cost basis of the electric vehicle, or
  - Incremental cost against that of a comparable vehicle
- No geographic restrictions – available to all entities that purchase a qualifying electric school bus
- Notice 2023-9: IRS published a "safe harbor" provision for incremental cost, but entities will be able to make independent determinations for incremental cost if not using DOE's safe harbor determinations

	GVWR (lbs)	Battery EV
Class 4-6	14,001-26,000	$34,500
Class 7	26,001-33,000	$93,500
Class 8	> 33,000	$297,500

ALTERNATIVE FUEL REFUELING PROPERTY CREDIT (30C)

- Qualified projects: electric charging infrastructure (to include bidirectional charging equipment)
- Provides a maximum of 30% of project costs, **up to $100,000 per charging unit**, for school districts located in **"low-income communities"** or **"non-urban areas"**
  - Low-income community = poverty rate is at least 20% or median family income is less than 80% of statewide median family income
  - Non-urban area = determined by Census tracts
  - Check your eligibility using U.S. Dept. of Energy's 30C Tax Credit Eligibility Locator tool by Argonne National Labs
- Note: credit applies to ***each*** **charging unit**, rather than the entirety of the investment at a single location

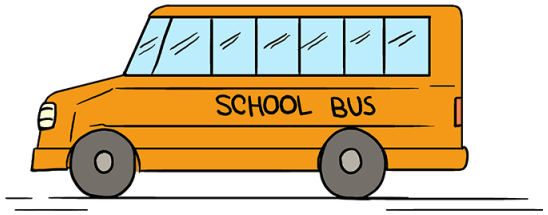
HOW DOES THIRD-PARTY MONEY FIT IN?

- IRA tax credits can be **stacked** with tax-exempt grants and forgivable loans
  - This includes funding from **CSBP grants or rebates**
  - For calculating tax credits, these grants and loans are included in determining maximum value of the credit

- However, the total value of a grant + a tax credit **cannot exceed** the cost basis
  - In such a case, the maximum tax credit value will be reduced to equal the cost of the project

- Note that "unrestricted funds," such as a school district's own budget, are not included in the calculation

CONSIDER THREE SCHOOL DISTRICTS…



…each purchasing an ESB priced at **$400,000** – meaning that $400k is the **cost basis** for a 45W tax credit.

School District A

$400,000 – GRANT
+ $40,000 – 45W TAX CREDIT

$440,000 – Exceeds cost basis

Tax credit reduced to $0

School District B

$375,000 – GRANT
+ $40,000 – 45W TAX CREDIT
+ $25,000 – DISTRICT FUNDS

$415,000 – Exceeds cost basis

Tax credit reduced to $25,000

School District C

$350,000 – GRANT
+ $40,000 – 45W TAX CREDIT
+ $50,000 – DISTRICT FUNDS

$390,000 – Less than cost basis

Tax credit not reduced

These are "**unrestricted funds**," which are **not included** in the calculation.

Electric
School Bus
INITIATIVE

OTHER FEDERAL FUNDING PROGRAMS

CLEAN SCHOOL BUS PROGRAM

What is the Clean School Bus Program (CSBP)?
Initiative created through the Bipartisan Infrastructure Law, allocating up to $5 billion for cleaner school buses through EPA

Who received CSBP funding in the first two rounds?

- In the first round, EPA awarded nearly $1 billion in rebate funding, nearly double the originally announced plan due to overwhelming demand
- In the second round, nearly $1 billion was again awarded – more than double the originally announced amount – in the form of grants
- In both rounds, approximately 95% of awards were for electric school buses

When was the third round of CSBP funding?
The application period for the third round of funding, a $500 million rebate program, closed on January 31, 2024. Recipients are expected to be notified in April 2024.

Who was eligible?
School districts, charter schools, Native nations, Tribal organizations, non-profit school bus associations, and school bus dealers/manufacturers

Source: EPA, EPA



CLEAN HEAVY DUTY VEHICLE PROGRAM

What is the Clean Heavy Duty Vehicle Program?
Program created through the Inflation Reduction Act, allocating up to $1 billion for cleaner Class 6 and Class 7 vehicles through EPA

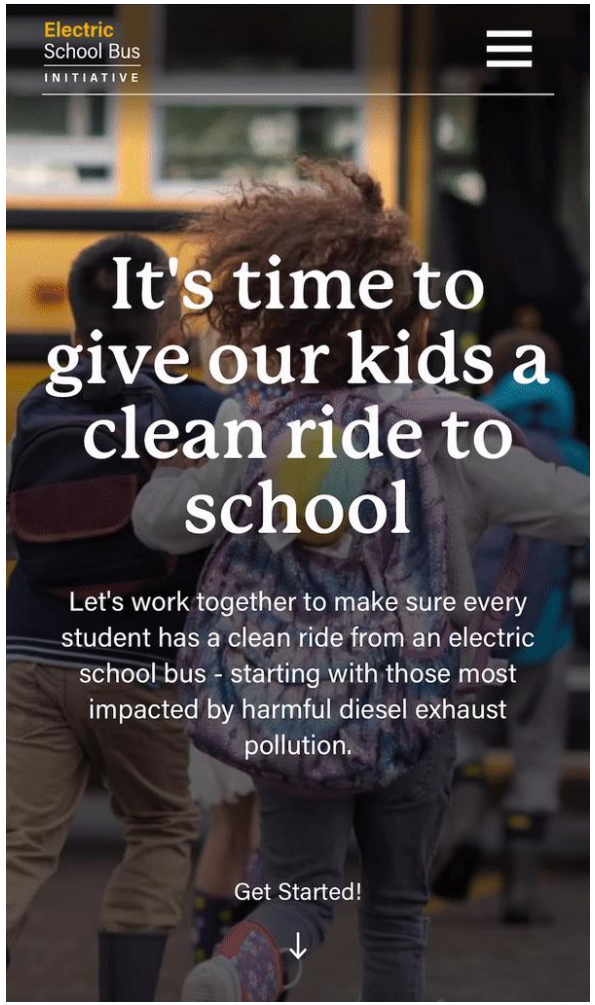
What can the money be used for?
While guidance is still forthcoming, IRA requires the funds be used to replace dirty heavy-duty vehicles (including school buses), support electric charging infrastructure costs, and train and develop workers.

Who is eligible to apply?
We're still waiting for guidance, but at least $400m of the funding will be going to communities in nonattainment areas.



NOTES AND SOURCE go here

ESB INITIATIVE WEBSITE



Electricschoolbusinitiative.org:

- One-stop-shop for tools, resources and information
- For school districts, manufacturers, electric utilities, policymakers, community members and more
- Free resources from across the electric school bus movement

Five actions to get started

1. **Put IRA on the agenda**
2. **Claim credits for recently completed projects**
3. **Align eligible projects that are currently underway**
4. **Re-evaluate current projects**
5. **Bring an IRA lens to facilities & capital plans**

Electric School Bus INITIATIVE

QUESTIONS?

Natalia Akopian, natalia.akopian@wri.org

Electricschoolbusinitiative.org

Twitter.com/ESBInitiative

Facebook.com/ESBInitiative

Linkedin.com/showcase/wri-electric-school-bus-initiative

What is eligible property?

IRS Guidance
Notice 2018-59
"Geothermal Heat Pump Property - On-site physical work of a significant nature may include the installation of ground heat exchangers, heat pump units, or air delivery systems (ductwork)."

From Industry Association based on past experience of members:
Federal financial incentives include every part of the mechanical systems required to make a complete package including wells, distribution piping, electrical, controls, heat pump equipment, all required peripherals (pumps and VFD's, etc.) and labor.

What if it's a hybrid system?

If 0-49% of energy used by ground source - **No credit**

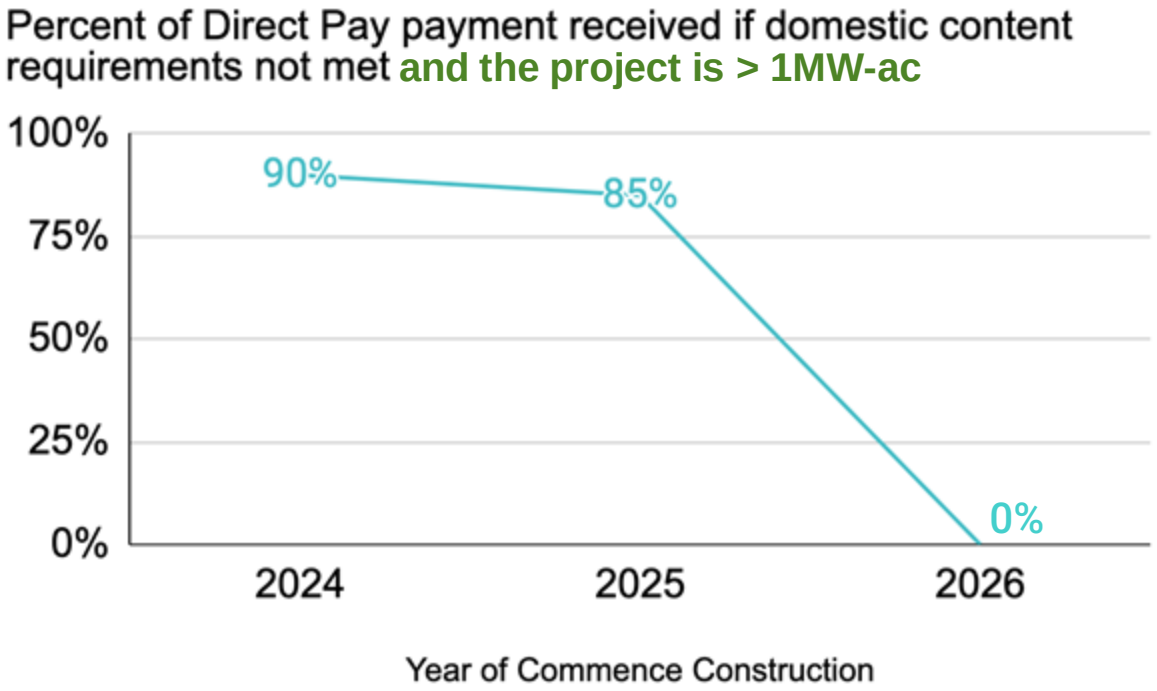
If 50%-100% of energy used by ground source - **pro-rata** amount of credit is due.

Watch your megawatt

- What is 1 MW AC for ground-source?
  - 3.4 mmBTU/hr heating and 284 tons cooling for thermal energy equipment
- Definition of “Single Energy Property” (proposed regulation 2023-25539)
  - Owned by a single taxpayer and any two or more of the following factors:
    - Contiguous pieces of land;
    - Common power purchase, thermal energy, or other agreements;
    - Common intertie;
    - Common substation, or thermal energy off-take point;
    - One or more common environmental/regulatory permits;
    - Single master construction contract; or
    - Financed pursuant to same loan agreement

Domestic Content & Direct Pay

For projects over 1MW that commence construction in 2024 or later, meeting the domestic content thresholds will be required to receive the full amount of the credit through Direct Pay.



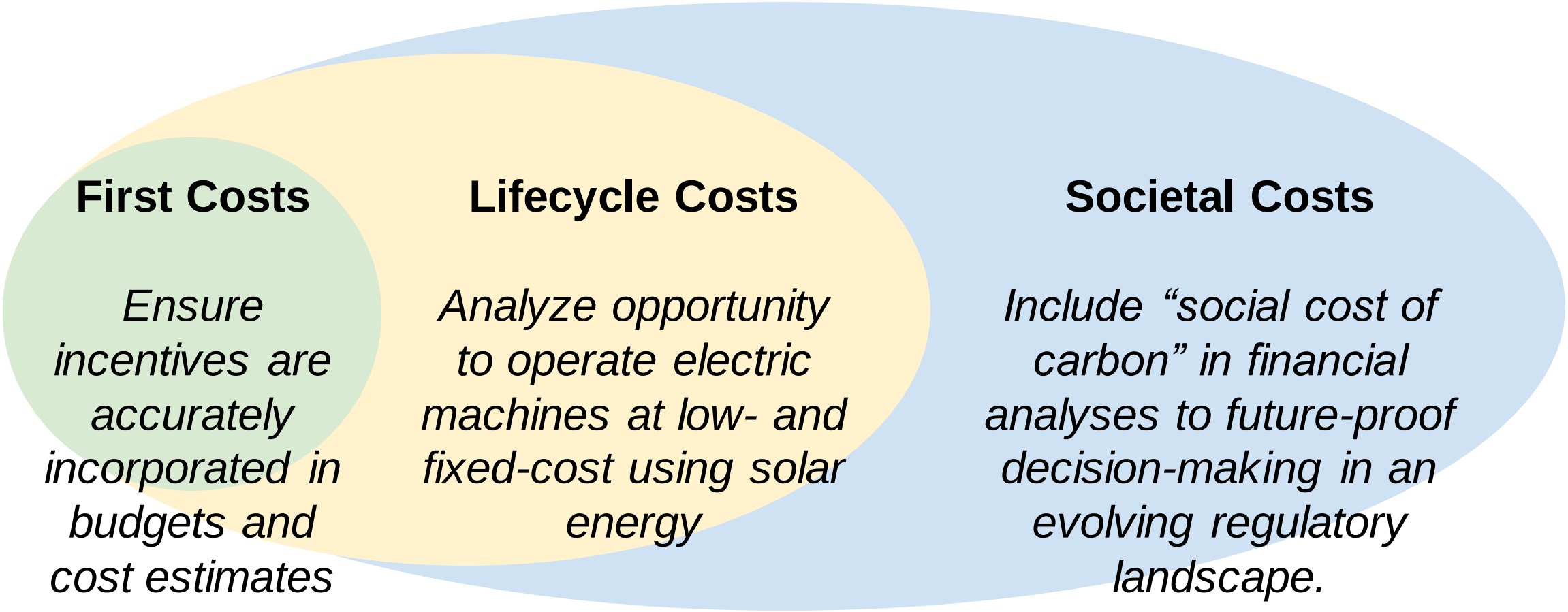


Click here



Click here

Integrating IRA incentives into costs at all levels



Who can help?

Peer Networks

Center for Green Schools at the U.S. Green Building Council

Generation180

World Resources Institute

CHPS Collaborative for High Performance Schools

Green Schools National Network

Designers

CMTA A Legence Company

MSA

McKinstry

Perkins Eastman

Perkins&Will

CannonDesign

Energy Tax Credits

Energy Tax Savers, Inc. EPAct 179D Experts

bakertilly

EideBailly

Polsinelli

“Prevailing Wage & Apprenticeship (PWA)”

- Prevailing wage
  - Must pay the *higher* of state prevailing wage or Davis-Bacon
- Apprenticeship
  - By *hours*, 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 *ratio*, Maintain 4:1 daily ratio of laborer to apprentice

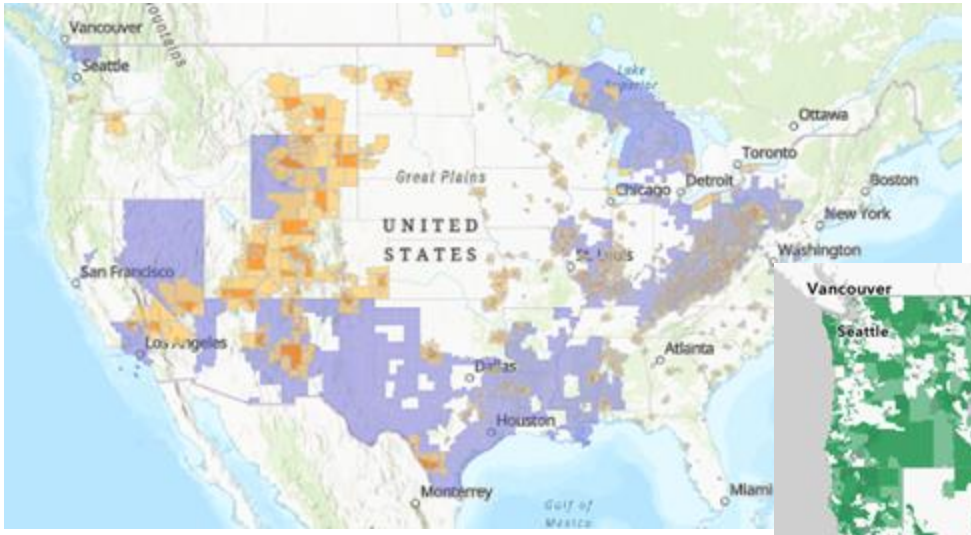
Two Exceptions:

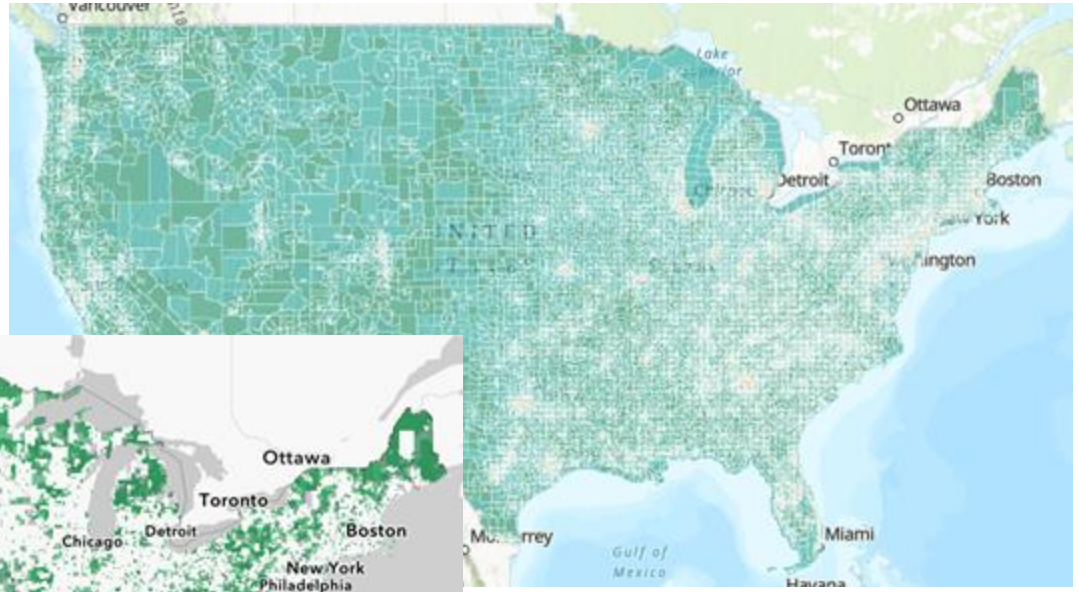
- Under 1 MW AC
- “Commence construction” prior to 1/29/23

* For projects that commenced construction between 1/29/23 and 12/31/23 the required rate was 12.5%.

Where the project is located matters

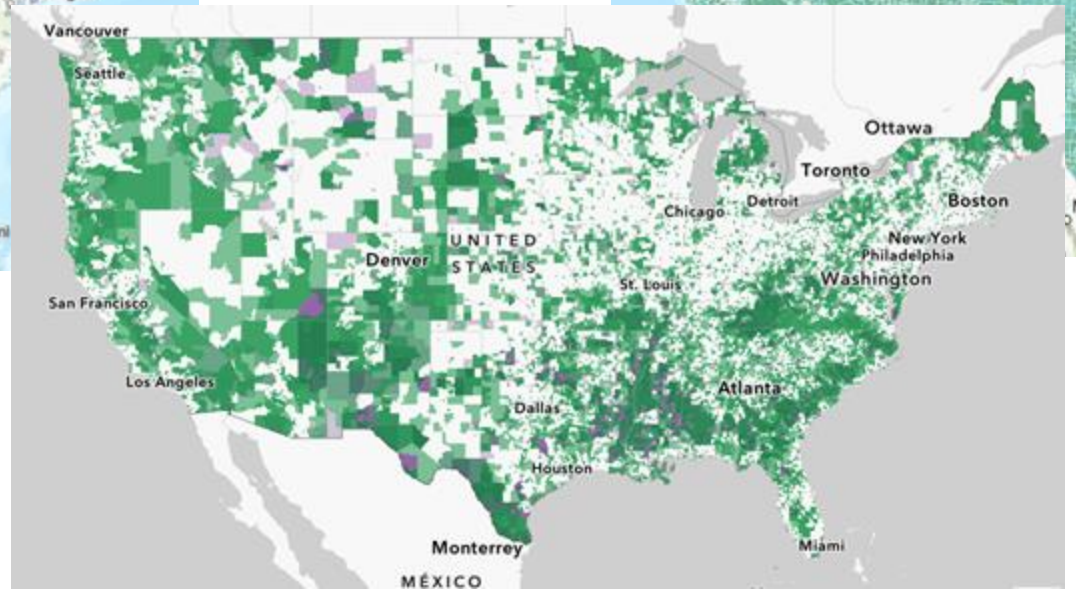
Energy Community +10% Bonus Adder





30C EV Charging Equipment Eligibility

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



“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. **Still awaiting final guidance**.

Key issues:

- Whose definition of cost?
- Interaction w Elective Pay

* For projects that commenced construction between 1/29/23 and 12/31/23 the required rate was 12.5%.