

## Back to School: Federal Investments for Energy-Efficient, Healthy, and Climate Resilient Schools

In the United States, one in six Americans—including K-12 students, faculty, and staff—occupy our 100,000 public schools.<sup>1</sup> These institutions are available for several funding opportunities under the Bipartisan Infrastructure Law and the Inflation Reduction Act to:

- reduce climate impacts;
- cut energy and utility costs;
- create high quality local jobs; and
- ensure all schools are safe and healthy for students and staff.

This factsheet lists the broad range of programs now available to K-12 public schools, school districts as well as state, local and Tribal governments—and guides them on how to maximize the social and economic impact of these dollars.



### Direct Pay and Bonus Tax Credits

The Inflation Reduction Act now allows tax-exempt entities—such as public schools—to claim tax credits in the form of “direct pay.” Direct pay will allow eligible entities to recoup a significant portion of a clean energy project’s cost as a tax-free cash payment from the Internal Revenue Service (IRS) for the taxable year the project is placed in service.<sup>2</sup> This creates additional opportunities for project financing. Several Inflation Reduction Act and Bipartisan Infrastructure Law programs also prioritize and offer bonus tax credits for schools in low-income areas, energy communities, and Justice40 communities.

Most Inflation Reduction Act and Bipartisan Infrastructure Law funding require or incentivize projects to pay prevailing wage and utilize domestically sourced materials. Schools can maximize the impact of these projects by signing agreements (like a Project Labor Agreement or Community Benefits Agreement) with local unions to ensure their project enables quality jobs and career paths for local workers.

### School Clean Energy Project Example

A large K-12 public school in the city of San Luis, Colorado wants to install solar panels. It identifies the Clean Energy Investment Tax Credit (ITC) as the tax credit that can fund this type of project and is a better fit for the school than the Production Tax Credit (PTC). The solar project has an expected net output of more than 1 megawatt (MW), which means it will qualify for the full 30% credit if the project pays prevailing wages and utilizes registered apprentices. Because San Luis is considered an energy community—one that has experienced a recent coal plant or mine closure or is located on a brownfield as well as a low-income community—it will qualify for an additional 20% in bonus credits. This brings the total credit value up to 50%.<sup>3</sup> The San Luis retrofit project contractor also ensures that the iron and steel as well as 40% of the cost of the manufactured products used in the project are produced in the United States. The project therefore also qualifies for the 10% Domestic Content Bonus Credit, bringing the total credit value up to 60% of project costs.

The school is a tax-exempt institution and therefore does not have any tax liability. The school would normally not be able to benefit from a tax credit—which essentially lowers any taxpayer’s tax liability. However, with the new direct pay option and eligibility for tax-exempt institutions, the school can now get 60% of the cost of the project refunded by the IRS essentially in the form of a grant. To pay for the remaining 40% cost of the project, the school can stack the tax credits with financing available through other state or federal programs, such as a green bank of community development finance institute.

## Federal Funding Programs for Schools

Program Name	Funding Source	Description	Funding Level	Agency	Funding Mechanism	Timeline	Eligible Entities	Notes
<b>Buildings</b>								
School Air Pollution (Sec. 60106)	Inflation Reduction Act	Grants and technical assistance to monitor and reduce air pollution at public schools in low-income and disadvantaged communities.	\$50 Million	Environmental Protection Agency (EPA) Office of Air and Radiation	Competitive Grant	FY22 - FY31	Schools	Restricted to schools in low-income and disadvantaged communities.
Energy Efficient Commercial Buildings Tax Deduction (179D)	Inflation Reduction Act	Enables building owners to claim a tax deduction for installing qualifying systems in buildings that reduce energy usage by at least 25%.	\$360 Million	IRS	Tax Deduction	FY22 - FY31	Commercial buildings; government and tax-exempt entities in partnership	Government and tax-exempt entities can assign the deductions to the person primarily responsible for the design work.
Renew America's Schools	Bipartisan Infrastructure Law	Energy efficiency, renewable energy, and alternative fueled vehicle upgrades and improvements at public schools.	\$500 Million	Department of Energy (DOE)	Competitive Grant	FY22 - FY31	Public K-12 schools	Schools in rural and high-poverty are priorities for funding.
Energy Efficiency Revolving Loan Fund	Bipartisan Infrastructure Law	Grants to states to establish a revolving loan fund for audits, upgrades, and retrofits to increase energy efficiency and improve the comfort of buildings.	\$250 Million	DOE	Grant / Revolving Loan		States; likely to regrant to a wide variety of entities	If state establishes (or adds to) a revolving loan fund with this grant, it could be a flexible funding opportunity for local energy efficiency audits and projects.
<b>Healthy and Resilient Communities</b>								
Environmental and Climate Justice Block Grants	Inflation Reduction Act	Funding for community led efforts in disadvantaged communities to address climate and environmental injustice.	\$3 Billion	EPA (OEJ)	Block Grant	FY22-26	Local governments (city, county, etc.) can apply for these funds and schools could partner with them on project applications that would benefit schools.	Very flexible fund to implement and manage energy efficiency and conservation projects and programs in local communities in the transportation, building, and other sectors.

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Building Resilient Infrastructure and Communities (BRIC)	Bipartisan Infrastructure law	Grants to states, local, Tribal, and territorial governments for pre-disaster hazard mitigation.	\$1 Billion	Federal Emergency Management Agency (FEMA)	Competitive Grant	Early 2023/ applications open September 30, 2022	States, local, and Tribal governments	Schools are often considered community resiliency hubs (for grid and during emergencies) and could be good projects.
<b>Clean Energy</b>								
Clean Energy Investment Tax Credit (ITC)	Inflation Reduction Act	Investment tax credits for clean energy deployment, including onshore and offshore wind, solar, geothermal, battery storage, and pumped-storage hydrogen.	Credit: 30% of Project Cost *	U.S. Department of Treasury (IRS)	Investment Tax Credit	FY22-25	Developers, state, local, Tribes, utilities, co-ops, tax-exempt entities	Direct pay available for non-profits, including schools (must meet domestic content requirements to receive direct pay, phased in 2024-2026); solar <5MW in low-income communities get 10% add bonus.
<b>Water</b>								
Voluntary School and Childcare Program Lead Testing Grant Program		Expands the existing Voluntary School and Childcare Program Lead Testing Grant Program to	\$200 million	EPA	Formula Grant	FY 22-26	States, tribes, public water systems, nonprofits for childcare programs, public educational agencies	Compliance monitoring and lead remediation now eligible
DWSRF/Lead Service Lines Replacement		Lead service line replacement	\$15 billion	EPA	Formula / State Revolving Fund	FY2022-2026 / until expended	States initially receive funding, then provide funds to water utilities and/or municipal and other eligible entities.	49% for grants or 100 percent principal forgiveness loans. Activities related to identification, planning, design, and removal are all eligible.

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<b>Electric Vehicle (EV) Deployment</b>								
Commercial Clean Vehicle Tax Credit (45W)	Inflation Reduction Act	Accelerates the deployment of clean vehicles for commercial and other fleets.	15% - 30% of vehicle cost	IRS	Consumer Tax Credit	FY22 - 32	Commercial uses	
Clean Heavy-Duty Vehicles (Sec. 60101)	Inflation Reduction Act	Provides grants to support the replacement of eligible vehicles with zero emission vehicles (ZEV).	\$1 Billion	EPA	Competitive Grant	FY22 - 31	States, municipalities, Tribes, non-profit school transportation associations	Can be used for purchase, installation/operation/maintenance of charging fueling infrastructure, and the provision of workforce development and training to support ZEV adoption.
Clean School Bus Program	Bipartisan Infrastructure Law	To support the deployment of electric and alternative fuel powered school buses.	\$5 Billion	EPA	Competitive Grant		State or local governments, eligible contractors, and nonprofit school transportation associations	Funds may be prioritized for rural or low-income communities and entities with matching funds available.
<b>Other Tools</b>								
School Needs and Benefits Assessment Resources		To develop a baseline energy needs assessment for a school facility.		DOE				
Energy Justice Mapping Tool for Schools		Allows users to identify schools that are in a disadvantaged community, rural location, designated as a community shelter, and/or qualify for Title I Schoolwide programming.		DOE				The tool also allows viewers to see which percentage of students receive free and reduced priced meals.

#### Endnotes

1 Strauss, Valerie. The Washington Post. "Too many of America's public schools are crumbling – literally. Here's one plan to fix them," March 5, 2019. <https://www.washingtonpost.com/education/2019/03/05/too-many-americas-public-schools-are-crumbling-literally-heres-one-plan-fix-them/>

2 The BlueGreen Alliance. The Inflation Reduction Act User Guide, 2022. Available online: <https://www.bluegreenalliance.org/site/summary-of-key-policy-provisions/> 3

Interagency Working Group on Coal & Power Plant Communities & Economic Revitalization, Energy Community Tax Credit Bonus. Available online: <https://energycommunities.gov/energy-community-tax-credit-bonus/>