THE INFLATION REDUCTION ACT AND SCHOOLS

CONGRESS PASSED THE INFLATION REDUCTION ACT (IRA). NOW WHAT?

WHAT IS THE IRA?

- Passed in Summer 2022 with approximately $369 billion allocated in climate and energy provisions, though some estimates have suggested actual climate investment spurred by this legislation could top $1.2 trillion.
- In tandem with existing policies, this law could help to cut greenhouse gas emissions by roughly 40% from 2005 levels by 2030.
- The provisions encourage people and businesses to utilize renewable energy, for which prices have continued to fall as fossil fuel prices soar, showcasing both its economic and energy security benefits.
  - These provisions include new tax provisions, grants, rebates, incentives for families, and organizations, as well as expanded eligibility for existing programs.
- As part of the White House's Justice40 Initiative, 40% of the overall benefits of certain IRA programs are directed toward disadvantaged communities.
  - Individuals and households can utilize this resource from the White House to find out in what ways the IRA can benefit them.

HOW CAN SCHOOLS BENEFIT FROM THE IRA?

First, why are schools important to focus on?

There are around 100,000 public schools in the US as well as over 480,000 school buses. This combined makes public schools one of the largest energy consumers in the public sector. Transitioning to clean energy with the help of IRA provisions can help schools save money and remedy air quality issues, while reducing their carbon footprint.

But first, what exactly does direct pay mean? This means that tax-exempt organizations and governmental entities (such as schools) can receive payment equivalent to the full tax credit received for building clean energy projects.

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TAX CREDITS AND DEDUCTIONS

Renewable electricity investment tax credit (ITC)

- Help schools reduce costs for installing energy sources like solar panels, energy storage systems, and geothermal heat pumps.
- Investment and installation of renewable energy systems can help schools reduce annual energy costs and improve school air quality.

Renewable electricity production tax credit (PTC)

- Schools that produce their own electricity from renewable energy sources are eligible under this tax credit.
- The ITC and PTC have direct pay options, allowing schools for the first time to receive the tax credits as cash payments.

Qualified Commercial Clean Vehicle Tax Credit

- Helps reduce the upfront cost of clean vehicles. Based on the size of the vehicle, this tax credit gives up to $40,000 per electric vehicle weighing over 14,000 lbs a school purchases. This credit is eligible for direct pay.
- Electric school buses can decrease exposure to harmful diesel emissions and reduce both GHG emissions and maintenance costs.

Alternative Fuel Vehicle Refueling Property Credit

- Supplements the cost of installing electric chargers in low-income and rural areas, which could be used to install chargers on qualifying school property. This credit is eligible for direct pay.
- These chargers could be used by educators or local families for electric school buses and personal electric vehicles.

Energy Efficient Commercial Buildings Deduction

- Schools cannot directly utilize the deduction but can pass it to contractors responsible for the design of more energy-efficient school buildings.
- Up to $1 per square foot can be deducted. Relates to efficiency improvements in heating, cooling, ventilation, hot water, lighting design, and building envelope.
- Helps make environmentally conscious retrofitting more affordable to schools.

GRANT OPPORTUNITIES

Clean Heavy-Duty Vehicle Program

- Additional funding to replace certain vehicles (such as school buses) with zero-emission vehicles (ZEVs), deploy necessary related infrastructure, and develop and train the workforce.
- $1 billion total is available, and at least $400 million is allocated for areas not meeting national air quality standards.

Funding to Address Air Pollution at Schools

- $50 million for grants and technical assistance is available to schools in low-income and disadvantaged communities to monitor and reduce pollution and greenhouse gas emissions.
- Helps schools identify and reduce air pollution and develop environmental quality plans for school design and construction.

Environmental and Climate Justice Block Grants

- $3 billion is available for grants to invest in community-led projects in disadvantaged communities to reduce and/or monitor indoor and outdoor air pollution, improve community resilience, and build capacity to engage with state and federal decision-making.
- Schools must partner with community organizations to apply for a grant.

Neighborhood Access and Equity Grant Program

- More than $3.2 billion in funding for neighborhood safety and affordable transportation access. Can be relevant for students commuting to school.

If you are a student who thinks your school might benefit from any of these provisions, reach out to your school board. In the meantime, look at the Green Schools Campaign (GSC). Starting a GSC chapter at your school may help you take advantage of these provisions and smoothly transition your school to a clean energy school.

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