

Public School Facility Upgrades - Financing and Incentives

This summary document describes Federal funding and tax exemptions currently available for planning and implementation of public school facilities upgrades. These initiatives include support for renewable energy and energy efficiency, clean energy vehicles, pollution reduction and improved indoor environmental quality and risk mitigation techniques and technologies for limiting the spread of pathogens.

- Elementary and Secondary School Energy Relief Fund (ESSER): funding can be used to cover facilities upgrades or expansion to address challenges presented by the COVID-19 pandemic. This may include repairs or upgrades to the HVAC system, including filtration, that enables a safer on-site environment for pupils and teachers. ESSER funds are awarded by the US Department of Education to State Educational Agencies (see [state plans](#)), who then make awards to Local Education Agencies (LEAs). ESSER II funds are eligible for obligation until September 2023, ESSER III funds are eligible for obligation until September 2024. Samples of LEAs planned spending categories are available through subscription to a data service called [Burbio](#). The [Edunomics Lab](#) provides information on LEAs allocation and spending by state. Further information on ESSER programs is available [here](#).
- American Rescue Plan (ARP) - Coronavirus State and Local Fiscal Recovery Funds: funding can be used for school construction and health protection activities to support recovery from the COVID 19 public health emergency. These funds have already been released to State, local, and Tribal governments, and must be obligated by the end of 2024, and spent by the end of 2026. Further information on SLFRF programs are available [here](#).
- Grants for Energy Improvements at Public School Facilities (US Department of Energy [Funding Opportunity Announcement](#)): funding to cover capital costs of energy efficiency upgrades. Eligible uses include all building energy end use types, implementation of renewable energy, alternative fuel vehicles, and infrastructure upgrades that support operation of these vehicles. \$500 million is available over five years, with the first tranche of \$80 million released for applications in November 2022. Applicants must submit a concept paper by January 26th 2023, and on receiving approval to proceed, must submit a full application by April 21, 2023. For further information, please contact schoolsfoa@doe.gov.
- Inflation Reduction Act (IRA): Based on an [analysis](#) by the Aspen Institute's This is Planet Ed and the World Resources Institute's Electric School Bus Initiative, below are some funding opportunities for schools to mitigate and adapt to climate change. Note that leading agencies, like the Internal Revenue Service and US EPA, are expected to issue more specific guidance soon.

Tax Credits

Investment Tax Credits are available for clean energy associated with the implementation of on-site renewables, applicable for the 1) investment in capital assets (sections 13102 and 13702 of the Act) from on-site assets. These ITCs are worth up to 30% of project costs, and will reduce annual energy costs and mitigate climate impact of facility operations.

Tax credits are available directly to school districts for greening of school transportation: up to 30% of the cost of vehicles is available, to support the switch from diesel to electric school buses (section 13403). Under a separate tax credit scheme, up to 30% of the cost of supporting infrastructure is available (section 13404), to cover equipment such as bi-directional charging stations.

As of January 1, 2023, school districts may benefit indirectly from recently enhanced 179D tax deductions available for energy efficiency retrofits (section 13303). This incentive provides a tax deduction of up to \$2.50-\$5 per square foot for energy efficiency improvements and is awarded on a sliding scale according to energy performance improvements (target of 25-50% for retrofits and new construction). Retrofits follow a performance based path to determine eligibility and deduction amounts. New construction projects follow building energy modeling methodology with reference standard following recent IRS [Announcement 2023-1 \(irs.gov\)](#). Although school districts cannot apply directly for these tax deductions, their contractors and consultants may do so, and would pass cost reductions associated with the tax deduction on to the school via project cost reductions. Details can be found on the [DOE website](#).

Direct Funding

Direct funds are available to monitor and reduce air pollution at schools, particularly in low-income areas and for disadvantaged communities (section 60106). These funds can be utilized in the development and execution of environmental plans focused on improving standards of design, construction and buildings renovation.

The IRA has grant programs from which schools and school districts may be indirect beneficiaries (i.e., they cannot be the applicant or awardee): Green Banks will fund the rapid deployment of low and zero-carbon technologies (section 60103). The Clean Heavy Duty Vehicles program (section 60101) will cover the planning and adoption of electric school buses and the incremental cost of replacing diesel buses with electric ones, and cover the costs of supporting infrastructure. It will also support workforce development and training for operations and maintenance staff. Climate Pollution Reduction grants (section 60114) will support planning and execution of greenhouse gas emission reduction programs, in which schools can play a key partnership role.

- Local and State Funding: local and State governments may issue public purpose or private activity [bonds or loans](#) to finance capital improvement in schools. Some states provide funding for capital outlay and expenditures. Some states also have specific programs for energy efficiency, for example:
 - California Schools Healthy Air, Plumbing, and Efficiency (CalSHAPE) Program
 - Connecticut HVAC indoor Air Quality Grants for Schools

- Delaware Energy Efficiency Investment Fund and State Revolving Loan Fund
- Maryland Net Zero Energy School Initiative Grant Program
- Massachusetts Green Schools Program
- New Jersey Energy Savings Improvement Program
- NYSERDA P-12 Schools Program
- Tennessee Energy Efficient Schools Program and TVA School Uplift Program
- Washington School Construction Assistance Program and Energy Efficiency Grant Program

More details about local, state, and other financing options are outlined [here](#).

- Focus on Rural Schools: The [Certain Community Facilities](#) (CCF) program offers direct financial support via loans, loan guarantees, and grants, for schools in rural communities, including for energy efficiency upgrades and improvement of indoor environmental quality. The [Rural Energy Savings Program](#) (RESP) offers loans to rural utilities or other loan service providers, to support implementation of cost-effective energy efficiency measures. More details about funding available to rural schools are described in this [information sheet](#).
- The Efficient Healthy Schools Campaign website has information and resources related to project financing [here](#).