SHARP

solar electricity

How to Take Advantage of Federal Stimulus Funding

Executive Summary

On February 17, President Obama signed HR 1, The American Recovery and Reinvestment Act (a.k.a. the Stimulus Bill). The bill contains 19 provisions that help grow markets, finance projects, expand manufacturing, access federal lands, build transmission lines, increase research and development, train workers, and reduce the tax burden for solar companies. Combined, solar has access to over $25 billion in government funded construction projects, illustrating the President's commitment to renewable energy and his specific interest in promoting solar technologies. The Sharp Solar Policy Team has outlined how your business can take advantage of these funds in the most timely and efficient way. Below you will find the 15 provisions that most directly affect your business based on four categories:

- Federal guidance pending: Agency guidance in the next 60 to 90 days.
- Enhanced funding for existing State programs: Federal funds will be directed to States for distribution. State agencies will provide access to funds.
- Agency specific appropriations: Funds directed to specific agencies for programs or projects that are most likely already in the pipeline.
- Tax code provision: Effective upon enactment unless noted otherwise.

The provisions include (solar is eligible for a portion of this funding):

- Grants in lieu of 30% ITC
- Loan Guarantees - $6 billion should support $60 billion worth of loan guarantees
- State Funding - $16.8 billion including $3.1 billion for state energy programs
- Solar on Federal Property - $5.5 billion
- Clean Renewable Energy Bonds (CREBs) – an additional $1.6 billion
- Qualified Energy Conservation Bonds - $2.4 billion
- Solar for Schools - $9.75 billion
- Green Collar Jobs - $500 million
- Solar Water Treatment Plants - $6 billion
- Department of Interior Funding - $125 million
- Solar for the Military - $400 million
- Tax Provisions
    - Repeals Penalty for Subsidized Energy Financing
    - Extends Bonus Depreciation
    - 5-Year Carryback of Net Operating Losses
    - Remedy for AMT and R&D Credits in Lieu of Bonus Depreciation

We have provided the best information available at the time this was drafted. We will provide you with regular updates and will be providing a Stimulus Bill Funding tutorial at

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our Customer Conference on April 3. Please keep in mind that this information is constantly changing and final program guidelines will not be in place until mid-April at the earliest. Feel free to call us with questions. You can reach Julia Curtis, Director of Business Strategy and Government Relations at curtisj@sharpsec.com or 714-421-8216 or Andy Johnson, Manager of Government Relations at johnsona@sharpsec.com or 714-903-4617. We welcome your comments, suggestions and questions before our April 3rd conference.

For general information on the American Recovery and Reinvestment Act, click here.

Grants (federal guidance pending)

Summary

Creates a new program through the Department of Treasury that provides grants equal to 30 percent of the cost of solar property placed in service during 2009 and 2010, in lieu of the section 48 investment tax credit. The 30% will be calculated on the same "tax basis" that would have been used to calculate any investment tax credit. The section 48 credit applies to commercial and utility-scale projects only, not residential projects. Property that is not placed in service prior to December 31, 2010 qualifies for the grant program as long as construction begins prior to December 31, 2010 and is placed in service by January 1, 2017. Congress stated that it intends the grants to "mimic the operation" of the investment tax credit. Therefore unless the Treasury says otherwise, developers can assume that the same rules will apply to grants that would have applied to the investment credit. So the grants will be paid to the same person who would have claimed an investment tax credit on the project. For example, if the project is owned by a partnership, the partnership is the entity entitled to the grant. Anyone receiving a grant will have to file quarterly reports with the Treasury on how the money was used and estimate the number of jobs created or retained. The grants do not have to be reported as income by the recipients.

How to Take Advantage of This Funding

Applications will be provided by the Treasury Department within the next 30-60 days. Applications must be filed by October 1, 2011. A developer can apply for a cash grant at any time, but the Treasury has up to 60 days after the application is submitted or the project is placed in service to pay the grant, whichever is later. To date, no administrator within Treasury has been assigned to this, however, Sharp is working with SEIA and others to propose a structure and process to implement these grants quickly.

Loan Guarantee Program (federal guidance pending)

Summary

Establishes a temporary Department of Energy (DOE) loan guarantee program for renewable energy projects, renewable energy manufacturing facilities and electric power transmission projects. Appropriates $6 billion to pay the credit subsidy costs, which should support $60 billion worth of loan guarantees. Eligible renewable projects are those that generate electricity or thermal energy and facilities that manufacture related components. Projects must commence construction by September 30, 2011. Davis-Bacon wage requirements (prevailing federal wage) apply to any project receiving a loan guarantee.

How to Take Advantage of This Funding
The DOE will announce a solicitation for loan guarantee applications after they submit guidelines in approximately 30 days. The application process will closely resemble the current DOE Loan Guarantee Program process. The Secretary of Energy stated this week that they are streamlining the program and they plan to start approving loan guarantee applications by late April/early May. It usually takes them about 1 year to create a program, so getting the program up and running in 60 days is very fast. They will use an expedited application approval process, so it will probably take 2-4 weeks to approve after the application is received. Since the Energy Secretary would like to start approving applications in April/May, they would need to have an application available in about a month. We believe this timeline is realistic since the loan guarantee infrastructure is already in place.

State Funding (Enhanced funding for existing State programs)

Summary
Appropriates $16.8 billion to DOE's Office of Energy Efficiency and Renewable Energy, which will be distributed to the States. Provides $3.1 billion for State Energy Programs. This funding will most likely become available first and so this should be a priority for contractors and developers. How the funding is spent is at the discretion of the state energy offices and the Governor. Certain states will also be subject to legislative approval. The majority of the funding will be used for energy efficiency and renewable energy. For example, New Jersey will most likely use most of the funding for residential and commercial solar installations. Other states will choose to use the majority for energy efficiency, however, complimentary efficiency and solar retrofitting opportunities are well suited The total amount also includes $3.2 billion for Conservation Block Grants. First-year funding for these Grants can be used to develop a "proposed energy and conservation strategy" that each local government must submit to Department of Energy without one year of receiving initial allocation. DOE must approve or disapprove it within 120 days. Additional funding is contingent on plan approval. DOE funding also includes $5.0 billion for Weatherization Programs and $2.0 billion for batteries and storage.

How to Take Advantage of This Funding
In order to take advantage of the State Energy Program funding you should contact your existing solar program manager or the state energy office for more information. DOE guidelines for these programs were released March 12, and we suggest you contact the energy offices now to be prepared for the application process and to get any preliminary details. To be eligible for projects under the Conservation Block Grants program, coordinate with your local government. See Appendix A at the end of this document for funding that will go to each state. Click on the links below for additional information on each state program:
California
Colorado
Other States

More California Links
Questions about Stimulus Funding
League of California Cities

California State Association of Counties

Federal links
Department of Energy
DOE Energy Efficiency and Renewable Energy

Solar on Federal Property (federal guidance pending)

Summary
Appropriates $5.5 billion to be deposited into the Federal Buildings Fund for expenditures to construct, repair and make alterations on federal buildings to increase energy efficiency, including installing solar energy equipment. $4.5 billion shall be available for measures necessary to convert General Services Administration (GSA) facilities to high-performance green buildings. Appropriates $1 billion for non-recurring maintenance on Veterans Affairs facilities, including energy projects.

How to Take Advantage of This Funding
GSA must submit a plan to Congress within 45 days, detailing, by project, how funding will be used. GSA is currently reviewing hundreds of projects currently in the agency's backlog. Projects will be evaluated based on how fast GSA can create jobs and how much added energy efficiency and sustainability can be gained from projects ready for construction awards within two years. The GSA will be considering hiring contractors for various projects with likely priority given to female and minority owned businesses. Once details are determined, they will be posted online. Secretary of Veterans Affairs must submit a plan to Congress with 30 days detailing how funding will be used. Any State may apply directly to the Department of Veterans Affairs for grants for construction of state-owned veterans home facilities. Pre-application is due by April 15 for all projects. State assurance of matching funds is due by August 15 to receive priority status.

Clean Renewable Energy Bonds (CREBs) (Enhanced funding for existing State programs)

Summary
Provides an additional $1.6 billion for new clean renewable energy bonds to finance facilities that generate electricity from renewable energy sources including solar facilities.

How to Take Advantage of This Funding
This is intended for governmental agencies since they cannot take advantage of the ITC. In a CREB financing, the holder of the debt instrument receives a federal tax credit in lieu of interest paid by the issuer. Thus, CREBs provide an issuer with the ability to borrow at a 0% interest rate. Small projects are given first priority. Dept of Treasury sets tax credit rate on a daily basis. Tax credits are made on a quarterly basis. Please coordinate with your municipal government on CREB projects. More information can be found at the CREBs website.

Qualified Energy Conservation Bonds (Enhanced funding for existing State programs)

Summary

Authorizes an additional $2.4 billion, up from $800 million, in bonds to finance State, municipal and tribal government programs to reduce greenhouse gas emissions. These bonds can be used by government agencies to reduce energy consumption in publicly-owned buildings by at least 20 percent, implement green community programs, or develop electricity from renewable energy resources. Demonstration projects that reduce peak electrical use also qualify. Public education campaigns to promote energy efficiency can also be funded.

How to Take Advantage of This Funding

Please check with your municipal government for solar project opportunities through this program

Solar for Schools (Enhanced funding for existing State programs)

Summary

Appropriates $53.6 billion to a state fiscal stabilization fund. Specifies that states shall use 18.2% of this money ($9.75 billion) for public safety and other government services, including the renovation of facilities and schools to meet green building standards. Solar energy projects qualify and schools can use money to install renewable energy generation and heating systems, including PV.

How to Take Advantage of This Funding

Please check with your municipal government or local school district for solar project opportunities through this program.

Green Collar Jobs (Enhanced funding for existing State programs)

Summary

Appropriates $500 million to fund job training programs in energy efficiency and renewable energy. Also appropriates $250 million for rehabilitation and construction projects on Job Corps Centers, including energy efficiency and renewable energy projects. Job Corps has 122 centers in 48 states; new centers are slated to open in the two remaining states, New Hampshire and Wyoming. Map of locations. The solar industry in certain states is likely to be affected by an increase in regulations to use certified installers and electricians as local unions have begun to put pressure on governments for more stringent requirements and job classifications.

How to Take Advantage of This Funding

Agency guidance will be provided by the Department of Labor within 60-90 days. Check the DOL website periodically for updates.

Solar Water Treatment Plants (Enhanced funding for existing State programs)

Summary

Provides $6 billion for the State and Tribal Assistance Grants account ($4 billion for the Clean Water State Revolving Funds and $2 billion for the Drinking Water State Revolving Funds). To ensure that the funds are used immediately to create jobs, the money must be committed to projects under contract or construction within 12 months of the date of enactment. The bill requires that not less than 20 percent of each Revolving Fund be available for projects to address green infrastructure, water and/or energy efficiency, or other environmentally innovative technologies. The bill allows States to use less than 20 percent for these types of projects only if the States lack sufficient applications.

How to Take Advantage of This Funding

These projects will be announced based on an open-bid RFP. Please check with your municipal or state government for solar project opportunities through this program

Department of Interior Funding (Agency specific appropriations)

Summary

Appropriates $125 million to BLM for the management of lands and resources and suggests funds be used for renewable energy rights-of-way and related permitting projects. Allocation of these funds and expediting and enhancing the processing of renewable energy projects right-of-ways and related permit applications is anticipated.

How to Take Advantage of This Funding

These projects will be announced based on an open-bid RFP. RFPs will be listed on a website and search engines can be set up to help to track new business opportunities and RFPs as they come out.

Solar for the Military (Agency specific appropriations)

Summary

Appropriates $300 million for DOD research, development, testing and evaluation of projects to improve energy generation, transmission, and energy efficiency. Appropriates an additional $100 million for Navy and Marine Corps facilities, and further specifies that funds are for energy efficiency and alternative energy projects.

How to Take Advantage of This Funding

These projects will be announced based on an open-bid RFP.

Tax Provisions

Repeals Penalty for Subsidized Energy Financing

Allows businesses and individuals to qualify for the full amount of the solar tax credit, even if projects receive subsidized energy financing (e.g. below market loans, tax preferred bonds, state grants etc.). This amendment shall apply to periods after Dec. 31, 2008.

Extends Bonus Depreciation

Last year, Congress temporarily increased the amount (50% of the cost of capital investment) that businesses could write-off for capital expenditures incurred in 2008 to $250,000 and increased the phase-out threshold for 2008 to $800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009. Accordingly, until the end of 2010, business taxpayers are allowed to write-off up to $125,000 (indexed for inflation) of capital expenditures subject to a phase-out once capital expenditures exceed $500,000 (indexed for inflation).

5-Year Carryback of Net Operating Losses

For tax years 2008 and 2009, extends the maximum carryback period for net operating losses from two years to five years. Eligible small business may elect to increase the carryback period for an applicable 2008 NOL from two years to any whole number of years elected by the taxpayer that is more than two and less than six. An eligible small business is defined as a taxpayer meeting a $15,000,000 gross receipts test. (see Sec. 448(c)) An applicable NOL is the taxpayer's NOL for any taxable year ending in 2008, or if elected by the taxpayer, the NOL for any taxable year beginning in 2008. However, any election under this provision may be made only with respect to one taxable year.

Remedy for AMT and R&D Credits in Lieu of Bonus Depreciation

Where a taxpayer is in a loss position, deductions in excess of income are unable to enjoy the benefit of bonus depreciation. This provision extends the allowance in the Foreclosure Prevention Act of 2008 that permits AMT and loss taxpayers to receive 20% of the value of their old AMT or R&D credits to the extent such taxpayers invest in assets that qualify for bonus depreciation. The amount is capped at the lesser of 6% of outstanding and unused AMT and R&D credits or $30 million. The extension of the additional first-year depreciation deduction is generally effective for property placed in service after December 31, 2008. The extension of the election to accelerate AMT and research credits in lieu of bonus depreciation is effective for taxable years ending after December 31, 2008.

Appendix A

State Energy Program Funding

State	Funding
Alabama	$55,570,000
Alaska	$28,232,000
Arizona	$55,447,000
Arkansas	$39,416,000
California	$226,093,000
Colorado	$49,222,000
Connecticut	$38,542,000
Delaware	$24,231,000
District of Columbia	$22,022,000
Florida	$126,089,000
Georgia	$82,495,000
Hawaii	$25,930,000
Idaho	$28,572,000
Illinois	$101,321,000
Indiana	$68,621,000
Iowa	$40,546,000
Kansas	$38,284,000
Kentucky	$52,533,000
Louisiana	$71,694,000
Maine	$27,305,000
Maryland	$51,772,000
Massachusetts	$54,911,000
Michigan	$82,035,000
Minnesota	$54,172,000
Mississippi	$40,418,000
Missouri	$57,393,000
Montana	$25,855,000
Nebraska	$30,910,000
Nevada	$34,714,000
New Hampshire	$25,827,000
New Jersey	$73,643,000
New Mexico	$31,821,000
New York	$123,110,000
North Carolina	$75,989,000
North Dakota	$24,585,000
Ohio	$96,083,000
Oklahoma	$46,704,000
Oregon	$42,182,000
Pennsylvania	$99,684,000
Rhode Island	$23,960,000
South Carolina	$50,550,000
South Dakota	$23,709,000
Tennessee	$62,482,000
Texas	$218,782,000
Utah	$35,362,000
Vermont	$21,999,000

Virginia	$70,001,000
Washington	$60,944,000
West Virginia	$32,746,000
Wisconsin	$55,488,000
Wyoming	$24,941,000
American Samoa	$18,550,000
Guam	$19,098,000
Northern Marianas	$18,651,000
Puerto Rico	$37,086,000
Virgin Islands	$20,678,000
Total	**$3,069,000,000**