



# QECB Overview & Issuance Update

NASEO Energy Finance Task Force

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# IRS Circular 230 Disclosure

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- The Energy Programs Consortium (**EPC**) is a joint venture of NASCSP, representing the state weatherization and community service programs directors; NASEO, representing the state energy policy directors; NARUC, representing the state public service commissioners; and NEADA, representing the state directors of the Low-Income Home Energy Assistance Program.
- The **QECB Program** began in 2010, when EPC began tracking QECB utilization and talking to issuers about issues, questions, concerns and obstacles encountered along the way.

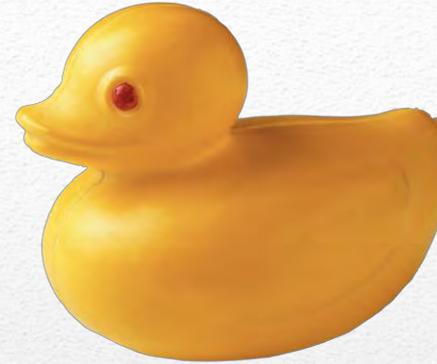
# The EPC QECB Program

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- What is a QECCB?
- What kind of subsidy do QECCBs get?
- How much subsidy do QECCBs get?
- For how long can an issuer get the subsidy?
- How much could I issue?
- What types of projects can be financed with QECCBs?

# QECCB 101 Review

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*A tool...and something of an odd duck.*

- A **qualified energy conservation bond (QECCB)** is a federally subsidized bond that may be issued for a variety of uses that tend to promote the conservation of energy.

# What is a QECCB?

- QECBs are a type of “**tax credit bond**”. You may be familiar with the more common Build America Bonds.
- Tax credit bonds are subject to many of the same rules as traditional tax-exempt bonds, but the **interest is taxable**.
- Tax credit bonds can be issued to provide the holder of the bond with a federal tax credit. Until early 2010, QECBs could only be issued this way, and very few of them were issued.
- Some tax credit bonds give issuers the option to receive a **direct cash payment from the U.S. Treasury** in lieu of providing the bond holders a federal tax credit (sometimes referred to as “direct pay,” “cash pay” or “direct subsidy” bonds). QECBs can now be issued as direct subsidy bonds.

What kind of subsidy  
do QECBs get?

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- QECB issuers receive a check equal to **70%** of the interest on your QECBs OR, if lower than your interest rate, the maximum rate set by Treasury (the “qualified tax credit rate”).
- For example (annualized for simplicity):
  - Interest rate on your bonds = 5%
  - Amount issued = \$1,000,000
  - Qualified Tax Credit Rate = 4.5%
  - Subsidy =  $70\% * 4.5\% * \$1,000,000 =$   
\$31,500 per year out of \$50,000 annual interest
- You can look up the most up to date rate (as well as historical **rates**) at:
  - <https://www.treasurydirect.gov/GA-SL/SLGS/selectQTCDDate.htm>.



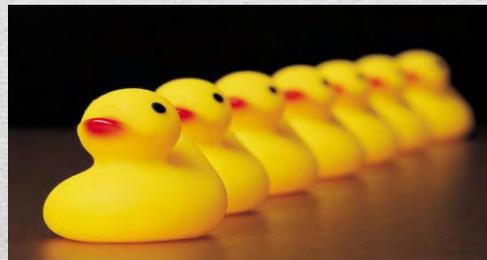
How much subsidy do  
QECBs get?

- The maximum maturity for tax credit bonds is also set by Treasury periodically.
- Historically, QECB issuers have been allowed 12 to 19 year maximum maturities.
- In the previous example, that would amount to \$378,000 (12 years) to \$598,500 (19 years) of direct subsidy from the federal government to your jurisdiction.
- The most up-to-date maximum maturity (along with historical maturities) can be found on the tax credit rate lookup page (see slide 7).
- There is currently no cut-off date by which allocations must be used.



For how long can an issuer get the subsidy?

- Each state received an allocation proportionate to its population. IRS Revenue Ruling 2009-29 (available on the IRS website or on the DSIRE QECB page) provides the state allocations.
- ARRA provided that each state “shall” sub-allocate a portion of its allocation to large local governments (cities and counties of 100,000 population or more) within the state.



How much can I issue?

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- You can use your QECBs for a number of “**qualified conservation purposes**”, including:
- **Energy efficiency in publicly owned buildings:** Capital expenditures to reduce energy consumption in publicly-owned buildings by at least 20%;
- Capital investments in certain **renewable energy facilities** including wind, closed-loop biomass, open-loop biomass, geothermal or solar energy, small irrigation power, landfill gas, trash, qualified hydropower and marine and hydrokinetic production;
- “**Green community programs**” (including the use of loans or other repayment mechanisms to implement them);
- **Public education campaigns;**
- **Rural development** including the production of energy from renewable sources;
- **Research facilities and grants, certain demonstration projects and mass commuting projects.**

What kinds of projects  
can I finance with QECBs?



- At least **79 projects** in **21 states** have been funded with QECCBs to date.
- Known bond volume totals **\$518 million**; more bonds may be issued but not yet known (particularly if they were sold through private placement).

## How popular are QECCBs?

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- 12 known issuances August through the present date
- Total Volume: \$49 million
- Two very small (\$120k school improvements and \$386k EE/muni retrofit)
- A couple of fairly large (Los Angeles & Deerfield \$12m), all for energy efficiency/municipal retrofits. Other EE/muni retrofits include Licking County OH (\$2.1m), Fayette County PA (\$1.4m), and Belchertown MA (\$3.14, performance contract).
- A number of school district issuances: Rapid City SD (\$4m), Champaign IL (\$120k), McHenry CCSD IL (\$1.5m), Alma Center WI (4.6m).
- A couple of renewable issuances in MA: Scituate (1.5m) & Cathartes Private Investments/Westford Solar (5.8m)
- *Note: All amounts are approximate. (We do not yet have Official Statements for all recent issuances).*

# Recent Issuances

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- The NASEO website has a variety of resources, including documents other states have used and the EPC QECB memo which contains information about all known issuances.
  - <http://www.naseo.org/resources/financing/qecb/index.html>
- DSIRE has a QECB page with links to relevant statutory provisions and IRS guidance.
  - [http://www.dsireusa.org/incentives/incentive.cfm?Incentive\\_Code=US51F&re=1&ee=1](http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=US51F&re=1&ee=1)
- The Department of Energy's website has resources including a QECB Primer and webinars.
  - <http://www1.eere.energy.gov/wip/solutioncenter/financialproducts/m/qecb.html>

Where can I find more information?



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Questions?

Please keep in touch.

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