



To: State and Territory Energy Officials
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QECB OVERVIEW

In 2009, Congress allocated \$3.2 billion for states, large local governments, and tribal governments to issue Qualified Energy Conservation Bonds (“QECBs”) to finance a range of projects related to energy conservation and renewable energy production. QECBs are federally-subsidized bonds, and they represent one of the lowest cost borrowing tools available to eligible issuers. The total allocation was divided amongst state, local, and tribal issuers according to population.¹

At least \$480 million of QECBs have already been issued, suggesting that as much as \$2.7 billion of issuance capacity remains. In several states, including Kansas and Kentucky, QECB allocations have been exhausted or nearly exhausted. In many other states, all or significant portions of QECB issuance capacity remain available for use. Unless otherwise provided by state law, the authority to issue these bonds does not expire.

Taking Advantage of QECBs

Qualified QECB issuers can choose to issue taxable bonds with a corresponding tax credit awarded by the U.S. Department of the Treasury (“Treasury”) to the holders of the bonds, or elect to receive a direct cash payment from Treasury themselves. Thus far, almost all issuers have chosen to receive the direct cash payment.² This incentive has generally led to net borrowing costs below 2 percent over terms that have ranged from 12 to 19 years.³ For up to date maximum QECB interest rate subsidies and maturities, visit: <https://www.treasurydirect.gov/GA-SL/SLGS/selectQTCDDate.htm>.

¹ See Appendix 1 for a table of state-by-state QECB allocations and issuances to-date. It is important to note that this table may not reflect all private bond issuances.

² The issuer pays a taxable coupon to the investor and repays principal at the end of the term. In conjunction, the issuer may make level annual payments into a fund known as a “sinking fund,” for payment of principal. Sinking funds are invested at the permitted sinking fund yield established at pricing (not shown in the Department of Energy (DOE) QECB Primer illustration below). Treasury pays issuer the lesser of the taxable coupon rate or 70% of the tax credit rate.

³ Source: Wells Fargo

Qualified Projects

QECBs may only be issued for qualified energy conservation purposes as defined in section 54D of the U.S. Internal Revenue Code. “Qualified conservation purposes” include capital expenditures (1) to reduce energy consumption in publicly owned buildings by at least 20%; (2) to implement green community programs (including the use of grants, loans, or other repayment mechanisms to implement such programs); (3) for rural development (including producing renewable energy); or (4) for certain renewable energy facilities (e.g., wind, solar, and biomass).⁴

Potential issuers should consult with experienced bond counsel to determine whether the contemplated project will be considered a “qualified conservation purpose” within the meaning of the statute.

How Can I Access QECBs?

Treasury allocated QECBs to states, which were responsible for sub-allocating a portion of this authority to large local governments and municipalities (population 100,000 or more). These counties or municipalities have the option of waiving their allocations and returning them to the states. Most states have issued executive orders or passed legislation authorizing the use of QECBs, but a few states have not yet authorized QECBs or sub-allocated issuance capacity. The state agencies responsible for managing QECBs vary across states and states have taken a range of approaches to deploying non-allocated or waived QECB allocations including direct issuance, competitive awards to other eligible issuers and first come-first serve reallocation.

Additional Resources

Please visit the QECB page on the Department of Energy’s Solution Center to access the QECB/CREB Primer, Frequently Asked Questions, webcasts and guidance for using State Energy Program (SEP) and Energy Efficiency and Conservation Bloc Grant (EECBG) funds to support QECB issuances: <http://www1.eere.energy.gov/wip/solutioncenter/financialproducts/QECB.html>

In addition, the National Association of State Energy Offices (NASEO) has published a number of useful resources that can be found at: <http://www.naseo.org/resources/financing/qecb/index.html>

Contacts

For more information on accessing QECBs in your state, the Department of Energy recommends that you first contact your State Energy Office.

If you have additional questions or are unable to connect with the appropriate state agency, please contact the DOE QECB Task Force:

Mark Zimring at Lawrence Berkeley National Laboratory (mzimring@lbl.gov)
Elizabeth Bellis at Energy Programs Consortium (ebellis@energyprograms.org)

⁴ Other qualified purposes include research activities, mass commuting facilities, demonstration projects, and public education campaigns.

Appendix 1: Qualified Energy Conservation Bonds by State			
State	Amount	Issued	Remaining
Alabama	48,364,000	0	48,364,000
Alaska	7,120,000	0	7,120,000
Arizona	67,436,000	14,320,000	53,116,000
Arkansas	29,623,000	0	29,623,000
California	381,329,000	211,044,730	170,284,270
Colorado	51,244,000	22,684,880	28,559,120
Connecticut	36,323,000	9,800,000	26,523,000
Delaware	9,058,000	0	9,058,000
District of Columbia	6,140,000	0	6,140,000
Florida	190,146,000	0	190,146,000
Georgia	100,484,000	0	100,484,000
Hawaii	13,364,000	0	13,364,000
Idaho	15,809,000	0	15,809,000
Illinois	133,846,000	30,370,000	103,476,000
Indiana	66,155,000	3,300,000	62,855,000
Iowa	31,150,000	0	31,150,000
Kansas	29,070,000	29,070,000	0
Kentucky	44,291,000	41,306,080	2,984,920
Louisiana	45,759,000	0	45,759,000
Maine	13,657,000	0	13,657,000
Maryland	58,445,000	6,515,000	51,930,000
Massachusetts	67,413,000	1,698,790	65,714,210
Michigan	103,780,000	0	103,780,000
Minnesota	54,159,000	8,500,000	45,659,000
Mississippi	30,486,000	0	30,486,000
Missouri	61,329,000	11,440,000	49,889,000
Montana	10,037,000	0	10,037,000
Nebraska	18,502,000	0	18,502,000
Nevada	26,975,000	8,135,950	18,839,050
New Hampshire	13,651,000	0	13,651,000
New Jersey	90,078,000	0	90,078,000
New Mexico	20,587,000	0	20,587,000
New York	202,200,000	3,569,470	198,630,530
North Carolina	95,677,000	0	95,677,000
North Dakota	6,655,000	1,200,000	5,455,000
Ohio	119,160,000	15,488,560	103,671,440
Oklahoma	37,787,000	0	37,787,000
Oregon	39,320,000	0	39,320,000
Pennsylvania	129,144,000	25,089,560	104,054,440
Rhode Island	10,901,000	0	10,901,000
South Carolina	46,475,000	0	46,475,000
South Dakota	8,343,000	2,575,000	5,768,000
Tennessee	64,476,000	0	64,476,000
Texas	252,378,000	0	252,378,000
Utah	28,389,000	5,000,970	23,388,030
Vermont	6,445,000	0	6,445,000
Virginia	80,600,000	0	80,600,000
Washington	67,944,000	17,905,000	50,039,000
West Virginia	18,824,000	0	18,824,000
Wisconsin	58,387,000	14,920,000	43,467,000
Wyoming	5,526,000	0	5,526,000
American Samoa	673,000	0	673,000
Guam	1,826,000	0	1,826,000
Northern Marianas	899,000	0	899,000
Puerto Rico	41,021,000	0	41,021,000
US Virgin Islands	1,140,000	0	1,140,000
Total	\$3,200,000,000	\$483,933,990	2,716,066,010

Chart compiled by Elizabeth Bellis, Tax Counsel, and Rebekah King, Energy Programs Consortium, and was funded by the Energy Foundation, Ford Foundation, and others for NASEO memo. Chart includes all public QECC issuances through August 20, 2011, but may not include all private QECC issuances.