



GREEN NEW DEAL
— NETWORK —



A GREEN NEW DEAL GUIDE TO DIRECT PAY

HOW THE CITY OF CHICAGO CAN USE FEDERAL FUNDS FOR PROGRESSIVE PRIORITIES

MAY 2024

As the climate crisis worsens, communities in Chicago need urgent public investment in climate solutions to draw down emissions, increase community health and resilience, and generate good green jobs. The good news is that the 2022 federal Inflation Reduction Act includes Direct Pay tax credits that have the potential to bring nearly unlimited funding for clean energy projects into the communities who need them most.



Co-authors:

Priya Mulgaonkar & Saul Levin | Green New Deal Network

Katie Thomas, Jessica Juarez Scruggs, & Heejin Hahn | Congressional Progressive Caucus Center

Contact: pmulgaonkar@greennewdealnetwork.org

A GREEN NEW DEAL GUIDE TO DIRECT PAY

How the City of Chicago can use federal funds for progressive priorities

MAY 2024

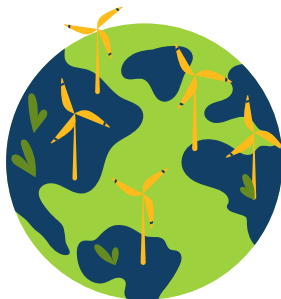
Chicago's Opportunity to fund a Green New Deal

The City of Chicago has an urgent opportunity to tap into the biggest climate investment ever made by the federal government. If deployed strategically, the Inflation Reduction Act's Direct Pay tax credits have the potential to radically expand publicly-owned energy, support communities transitioning away from polluting energy sources, generate affordable—and potentially free—electricity, and create good jobs for local communities.

What is Direct Pay?

For the first time ever, **tax-exempt eligible entities like municipalities, states, non-profits, and tribes will receive tax-free, cash payments from the IRS** for sustainable energy projects as long as all requirements are met. These entities are eligible for up to 70% back in tax-free cash funding through this new program.

Any eligible entity that applies for a Direct Pay tax credit with an eligible project should be approved. By increasing access to these credits, Direct Pay will help build sustainable energy infrastructure and create good-paying jobs.



How can the City of Chicago access Direct Pay?

Direct Pay is an uncapped tax credit, not a grant fund with a limited pot of money. Every project that qualifies gets funded and the city can claim it for as many projects as they have. Projects must be finished and “placed in service” first and then they are eligible to get 30–70% of project and material costs back. Direct Pay refunds from year 1 can be rolled into the next wave of programs.

Eligible Projects

Direct Pay can be used to help finance:

- Solar arrays
- Batteries
- EV chargers
- Commercial clean vehicles (school buses, city buses, garbage trucks etc.)
- Wind
- Geothermal
- Hydropower

About the Green New Deal Network (GNDN)

GNDN is the hub of the movement for a Green New Deal. We bring together frontline communities, labor organizers, and climate activists from all across the country to drive massive public investments towards a Green New Deal at all scales of government.

A GREEN NEW DEAL GUIDE TO DIRECT PAY

How the City of Chicago can use federal funds for progressive priorities

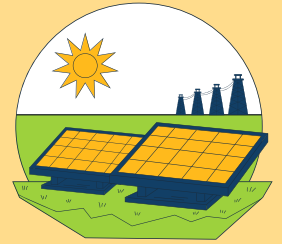
MAY 2024

What are the types of projects Chicago should consider?

Direct Pay is a unique opportunity for the City of Chicago to build its own clean energy projects. Here are some examples of how the city can use direct pay:

- **Installation of clean energy technology** (solar arrays, batteries, EV chargers, wind turbines, geothermal systems)
- **Installation of solar panels on a school roof** to provide electricity for school buildings.
- **Installation of a central geothermal system** to heat campuses or community buildings.
- **Purchase of electric school buses or other clean energy vehicles** (school buses, city buses, garbage trucks etc.
- Installation of microgrids – a small network of electricity users – with solar and energy storage to serve facilities during emergencies and grid outages.
- **Installing EV / alternative fuel vehicle refueling properties** such as charging equipment.

Chicago can also help other eligible entities seize this opportunity by providing grants or a revolving loan fund for green energy projects that qualify for direct pay. This upfront financing can be covered after project completion by direct pay, replenishing the loan fund for future projects. City funding should be directed to the most impacted/disadvantaged communities and projects should be required to use local hire, union labor, good wages etc. Loans should be limited to the best solutions for the health of communities and the climate like wind, solar, geothermal and EV instead of false solutions like LNG or waste incineration.



Action item: Invest in city-owned clean energy and storage projects on government buildings, schools, hospitals, and more.



Action Item: Set up a municipal Revolving Loan Fund to provide small grants to nonprofits, houses of worship, and other eligible entities.



Action Item: Prioritize loans for disadvantaged communities; require strong labor and workforce development standards.

A GREEN NEW DEAL GUIDE TO DIRECT PAY

How the City of Chicago can use federal funds for progressive priorities

MAY 2024

What progressive priorities can Direct Pay fund?



Green New Deal for Public Schools: Schools can use direct pay to repay the installation solar panels, EV buses and EV chargers, use energy savings to raise teacher pay and expand programs like art, music and high quality afterschool programs. Many schools have suffered from disinvestment, leading to deferred maintenance and obstructing progress toward decarbonization.



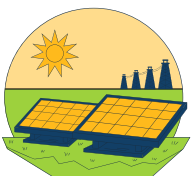
Green the Care Sector: Municipal and county hospitals, as well as private non-profit hospitals, are eligible for direct pay. Direct pay can also be used to replace ambulances, buses and other city vehicles with EV vehicles and get Direct Pay cash for both the vehicles (\$40,000 per vehicle) and installing EV chargers. Add renewable energy like wind and solar to hospital and health center buildings to reduce energy costs and add battery storage to protect vital healthcare facilities during storms.



Decarbonize all Municipal Buildings: Put solar panels, wind and batteries on all city buildings, fire stations, and community centers to a) strengthen the grid, b) save money in energy costs, c) create safe community hubs that will have power in the event of a storm or power outage or heatwave.



Electrify Transportation: Install city owned EV chargers in low income neighborhoods and get Direct Pay back to help cover the costs. Publicly owned EV chargers in low income neighborhoods 1) makes EV vehicles more accessible, 2) means the city can sell electricity to charge cars at a fair rate, 3) strengthens the grid, 4) provides a sustained income source for the city that can support important social programs.



Public Power: Large-scale city-owned solar arrays can be installed on Brownfield sites creating city-owned power, retrofitting coal plants to geothermal, spurring the use of previously contaminated land, creating jobs, and putting renewable energy assets in public hands (instead of in the hands of for-profit utilities).

A GREEN NEW DEAL GUIDE TO DIRECT PAY

How the City of Chicago can use federal funds for progressive priorities

MAY 2024

How can we keep equity and strong labor standards as we implement Direct Pay?

★ Ensure city funding is targeted to the communities who are most impacted first.

- Black, Latine communities, Indigenous, and other communities of color
- Low-income communities experiencing uneven impacts of climate change and pollution
- Communities who have experienced over-policing, returning citizens
- Communities who have experienced redlining and systemic disinvestment
- Communities disproportionately exposed to environmental pollutants
- People with disabilities
- Communities who have experienced disproportionate job losses



★ Ensure that city funding supports local hire, prevailing wage, and union labor for city projects and for any projects funded by a grant or loan fund.



★ Ensure that Chicago residents have access to good green jobs with training programs and partnerships with unions and contractors. The City can build upon the job training programs initiated by CEJA, while also strengthening pathways from Career Technical Education to full time, high quality clean energy jobs by providing more youth training programs.



★ Ensure Direct Pay funds do not support false solutions that perpetuate our reliance on fossil fuels and harm communities, including LNG and waste incineration.

A GREEN NEW DEAL GUIDE TO DIRECT PAY

How the City of Chicago can use federal funds for progressive priorities

MAY 2024

What other funding can Chicago access?

Direct Pay is not the only federal investment that can help Chicago achieve a Green New Deal and should be stacked with other funding opportunities. Direct pay cannot be used for upfront financing; it's a tax credit in the form of a refund.

However, the local governments can access funding under several federal and state programs and get funding back from the federal government (up to 60% of cost of equipment and labor in cash). The city can apply a direct pay tax credit to a project that has also received other types of funding – including federal grants or loans, municipal bonds, general funds, private investment, and more – the upfront funding source doesn't matter!



Federal Funds

- **Greenhouse Gas Reduction Fund.** The EPA has announced its selections for \$20 billion in grant awards under two competitions within the historic \$27 billion Greenhouse Gas Reduction Fund (GHGRF). This includes 3 awards under the \$14 billion National Clean Investment Fund and five awards under the \$6 billion Clean Communities Investment Accelerator, which together will create a national clean financing network for clean energy and climate solutions across sectors to provide communities with upfront capital for key projects.
- **Solar for All.** Of the \$27B GHGRF, is \$7 billion in grants through the Solar for All program. EPA has awarded the Illinois Finance Authority \$1.56 million to expand existing programs for energy storage, residential solar, and community-driven projects.
- **Climate Pollution Reduction Grants (CPRG).** Both Chicago and the state of Illinois have submitted notices of intent to apply for the CPRG funds and implementation plans to be submitted (due April 1, 2024).
- **US Dept. of Energy Loan Program.** The Inflation Reduction Act (IRA) declares that the existing Section 1706 loan program can offer up to \$250 billion for projects that “retool, repower, repurpose or replace” closed-down energy infrastructure or enable still-running infrastructure to “avoid, reduce, utilize or sequester” carbon emissions or air pollutants. This program could provide upfront financing for municipal projects that can be paid back through Direct Pay tax credits and energy savings.
- **Air Pollution at Schools.** On March 19, the deadline closed on \$37.5 million in competitive grants funding to address air pollution at schools. The City should monitor which entities, including Chicago Public Schools, received funding and share resources as needed. Eligible for States, Tribes, Territories, local governments/educational agencies, NGOs, etc. for grants and other activities to monitor and reduce pollution and greenhouse gas emissions at schools in low-income and disadvantaged communities.

A GREEN NEW DEAL GUIDE TO DIRECT PAY

How the City of Chicago can use federal funds for progressive priorities

MAY 2024

What other funding can Chicago access? *continued*

State Funds under the Climate and Equitable Jobs Act (CEJA)

- **Illinois Power Agency (“IPA”) Act’s investment in renewable energy.** The Illinois Commerce Commission approved the Illinois Power Agency’s (IPA) 2024 Long-Term Renewable Resources Procurement Plan (LTRRPP) last week, authorizing over \$1.1 billion to procure new renewable generation in Illinois over the next two years.
- **Coal-to-solar program to spearhead the transition of coal plants to renewable energy facilities.** In 2022 Gov. Pritzker announced the five coal plant sites that receive a total of \$280.5 million over a ten-year period beginning in 2025 when the facilities are commercially operational. With Direct Pay, a portion of this state investment may be eligible to receive federal dollars, potentially enabling the State to expand the program to additional retired coal facilities.
- **Leasing Schools for Renewables.** Now that CEJA allows schools to lease property for up to 25 years to support renewable energy projects, direct pay can be part of the financing to cover qualified projects.
- **Fund the Illinois EPA’s EV Charging Station Grants.** The CEJA Sets a goal of adopting 1,000,000 electronic vehicles in Illinois by 2030; the IEPA offers grants and rebates of up to 80% of the project cost to public and private entities for the installation and maintenance of publicly available EV charging stations.
- **IL Solar for All Program.** CEJA expanded the IL Solar for All Program which allows low-income homeowners and renters to access community solar projects anchored by public institutions or non-profits. Many of the projects funded through the program should be eligible for Direct Pay, allowing the program to continue to expand.
- **Funding for Workforce Development.** CEJA includes \$80 million annually for workforce development, targeting historically excluded communities. A list of existing clean energy job training programs are available [here](#).
- **Expands funding for clean transportation.** CEJA includes \$80m per year over the next decade to electric transportation with 45% of benefits going to environmental justice and low income communities. This funding includes funding for school buses for IL public schools.

Technical Assistance

- **The [Congressional Progressive Caucus Center](#) (CPCC), Local Progress, and other partners are providing [technical assistance](#) to eligible entities to assist them in filing successfully for these credits.**
- **Environmental Justice Thriving Communities Technical Assistance Centers.** The Infrastructure Investment and Jobs Act (IIJA) funded 17 TCTACs (“tic-tacs”) to aid EJ communities and remove barriers to access to funding from federal grant opportunities.

To learn more, visit
greennewdealnetwork.org
or follow us @GND_Network

GREEN NEW DEAL
— NETWORK —