



Qualified Energy Conservation Bonds: Legislative and Activity Update

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QECB Update



- During 2014, total known QECBs issued crossed the billion-dollar mark
 - Total number of known QECB issuances increased to 187 projects in 36 states, up from 163 projects in 32 states at the end of 2013
 - Total of \$1.08 billion issued - increase of \$95.7 million (9.8%) since the end of 2013
- 2014 Highlights:
 - Florida authorized issuance of its \$190 million allocation
 - The first two known issuances in Texas
- Some states, such as Kansas and Colorado, have utilized almost all of their allocations, with additional states (Alabama, California, Kentucky, Montana, and Nebraska) close behind
- On October 9, 2014, the IRS announced that effective October 1, 2014, QECB subsidy payments processed in FY2015 would be reduced by 7.3% because of sequestration (up from 7.2% in FY2014)
 - Sequester set to continue through FY2024 unless cancelled by legislation
- Legislative update

2015 QECB Stakeholder Guidance Request

- In 2012 EPC sought guidance from IRS/Treasury regarding QECBs, a process that resulted in Notice 2012-44
- We are now compiling a follow-up list of stakeholder questions and clarification needs
- On January 22, 2015 EPC sent an email to QECB stakeholders requesting questions or issues they are struggling with relating to QECBs
- Among the responses:
 - Need clarification of Davis Bacon and other ARRA requirements as relate to QECBs (or exempt QECBs from ARRA requirements altogether)
 - Sequester is a big barrier to use of QECBs— ongoing sequester and uncertainty about future levels of cuts means other financing options are more cost-effective
 - Expand definition of renewable generation to include renewable sources that generate heat (e.g. biomass heat generation projects)
 - current language only specifies production of electricity from renewable sources but generating heat from renewable resources is clearly within spirit of legislation
 - Clarify that an officer of large local government may consent to waive a QECB allocation back to state – current language means full resolution of a large local government is needed to waive the allocation and many local governments are unwilling to do this (even if have no plan to use allocation)