

# Solar on Schools

Leveraging Financing Through State Energy Financing Institutions

*LPO is providing this explanatory information in response to inquiries from State and Local governments. LPO does not have a policy position on whether states should implement a particular kind of project.*



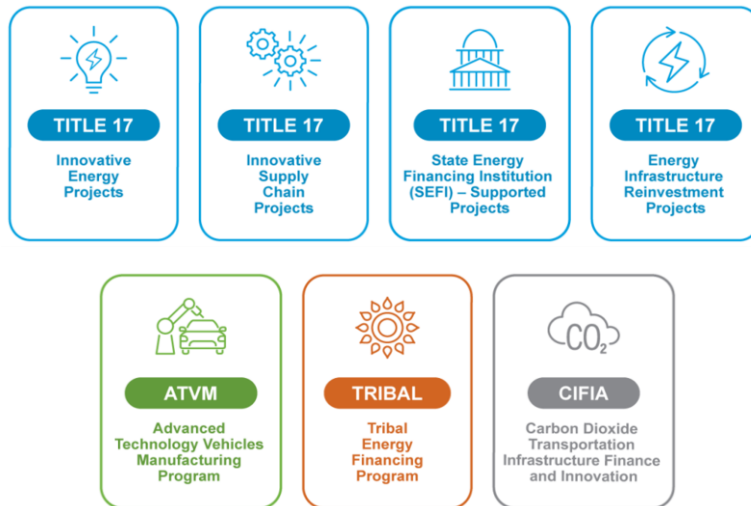
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# What is the Loan Programs Office (LPO)?

**LPO is...**

the **premier public financing partner** accelerating high-impact energy and manufacturing investments to advance America's economic future.

**How do we do it?**



- ✓ By **providing attractive debt financing** for high-impact, large-scale (\$100M+) energy infrastructure projects in the U.S.
- ✓ With **tens of billions of dollars** in available loan and loan guarantee authority.
- ✓ Via **seven loan programs & project categories** supporting both innovative and commercial technologies.



**TITLE 17**  
**State Energy**  
**Financing Institution**  
**(SEFI)-Supported**  
**Projects (1703)**

# State Energy Financing Institution (SEFI) Projects (1703)

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**SEFI projects** support deployment of a qualifying clean energy technology and receive meaningful financial support or credit enhancements from an entity within a state agency or financing authority.

SEFI projects are not required to employ innovative technology.

# Solar + Storage on Every School

1. Deploys solar + energy storage on all or most schools in the State.
2. Reduces school operating costs, creating resources for teachers and students.
3. Secures IRA tax credits to fund 30%, 50%, or more of installation costs.
4. Moves school districts towards net zero.
5. Supports thousands of clean energy jobs.
6. Leverages US DOE Loan Programs Office financing.
7. Creates a revolving fund for clean energy projects that continues after LPO financed project concludes.

# School Project Considerations

- State organizes a “cookie cutter” pipeline of school energy projects (e.g., solar + storage).
  - State creates Special Purpose Vehicle to be project sponsor, LPO applicant
  - \$100M LPO loan size minimum
  - LPO covers maximum 80% of project cost
- 20% of project costs minimum SPV equity/mezz requirement.
  - Appropriated State school funds?
  - Philanthropic capital?
  - Budget for due diligence costs during application
- What SEFI will provide “meaningful financial support” to the project?
  - Various State or quasi-State agencies could be SEFIs, including school construction authority.
  - Note that the “meaningful support” and equity requirements are different



Photo by Dennis Schroeder, NREL

# Capital Stack Visual

*The Center for Public Enterprise provides a financial model states can adapt*

<https://publicenterprise.org/report/cpe-elective-pay-model-2-0/>

At least 20% of project cost



LPO loan (maximum 80% of total project cost, plan for less)

SEFI meaningful support investment to qualify under Title 17 with no technology innovation requirement

Equity capital organized by SEFI, could include appropriated funds, philanthropic; SEFI/SPV is project sponsor and borrower

# School Project Considerations, Cont'd

- Benefit to schools can be an immediate reduction in energy costs.
- State can make projects available to schools based on leases or contracts – can be operating expense, not capital budget.
  - Project owner claims tax credits.
- State centralizes procurement and tax credits, enabling efficient replication at scale based on cookie-cutter model. Replicability provides predictable tax credit eligibility, predictable NEPA review.
- The alternative of financing with tax exempt bonds may reduce the amount of tax credits available.
- Properties could also be libraries, fire stations, other direct-pay eligible entities.



Photo by Dennis Schroeder, NREL



# School Project Considerations, Cont'd

- If State or highly rated agency guarantees repayment, or school contracts have a strong rating, project may have improved risk profile, interest rate premium may be reduced, diligence may be simplified, application costs may be reduced.
- LPO finances energy technology projects: Solar, storage, HVAC equipment, etc.
  - Limited efficiency expenses may be eligible based on how they contribute to the operation of the efficient end-use technology, but some costs such as roof replacement may not be eligible costs for LPO.
- Additional possibilities for solar/storage revenue generation and EV school buses.



Photo by Dennis Schroeder, NREL



# Title 17 Lending Overview

## General Terms & Considerations

- The amount of the LPO-guaranteed obligation **cannot exceed 80%** of eligible project costs (as defined by statute and regulations and determined by LPO).
- LPO generally encourages applicants to consider greater than **\$100M** loan requests due to costs.
- The tenor of the guaranteed obligation cannot exceed the lesser of (a) 30 years and (b) 90% of the projected useful life of the assets.
- LPO cannot be **subordinated** to any other financing.
- With limited exceptions, the project generally cannot benefit (directly or indirectly) from other Federally appropriated funds.

## Lender/Guarantee Options

- **Direct loan from U.S. Treasury's Federal Financing Bank** (FFB) backed by 100% "full faith and credit" DOE guarantee. Note: Applicants **do not** apply directly to FFB; Title 17 loan applications are managed through LPO.
- DOE partial guarantee (up to 90%) of commercial debt from Eligible Lenders.

## Interest Rates and Fees

### Interest Rate

- Base cost of capital for FFB loans: **Treasury + 3/8ths (0.375%)**
  - Fixed at the time of each draw according to the Treasury rate for the applicable tenor as of that date
- **Credit-based interest rate spread** or risk-based charge

### Fees & Costs

- No application fees
- Facility fee (due at or before financial close)
  - 0.6% on first \$2 billion of commitment; 0.1% for portion exceeding \$2 billion
- Maintenance fee annually post-closing
- **Applicant pays for both its own and DOE's external advisors as incurred**

# Additional LPO Requirements

*Please review the guidance for detailed information on federal requirements and restrictions, including:*

- ❑ **Davis Bacon:** All construction (including installation) work must be paid weekly at prevailing wage.
- ❑ **Build America Buy America (BABA):** Nonprofit and government borrowers must demonstrate domestic content or obtain a waiver.
- ❑ **National Environmental Policy Act (NEPA):** The environmental impact of all projects will be reviewed. These projects could benefit from review through categorical exclusion provisions for projects on existing buildings, small solar installations.
- ❑ **Federal Support restriction:** Projects generally cannot benefit (directly or indirectly) from other federal support.
  - ✓ Federal income tax credits generally do not constitute prohibited federal support.
- ❑ **Cargo Preference Act (CPA):** If goods must be shipped into the US for the project, a sufficient portion must be demonstrated to have arrived on US flag vessels, or non-availability must be demonstrated.

# Let's Talk About Your Project

Contact LPO to see what financing options may be available for your project

## Questions?

We are here to work with you! We meet regularly with potential applicants and provide feedback on their concepts.

Reach out to us with SEFI questions at [SEFI@hq.doe.gov](mailto:SEFI@hq.doe.gov)



**Download** the full Title 17 Guidance document at: [Energy.gov/LPO/Clean-Energy](https://www.energy.gov/LPO/Clean-Energy)

**Learn more** about LPO and all of its financing programs at: [Energy.gov/LPO](https://www.energy.gov/LPO)