GODFREY & KAHN S.C.

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The ABCs of affordable solar development opportunities for school districts

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A report prepared for the U.S. Department of Energy in 2014 found that the opportunities for cost savings and other benefits of installed solar energy capacity is "generally underutilized." It noted that the "large, flat rooftops typically found on public and private K-12 school buildings throughout the United States make many of these properties excellent candidates for rooftop solar photovoltaic (PV)" and that the "total PV capacity on K-12 schools would reach 5.4 GW – an amount equal to more than one-third of all the solar PV capacity currently installed in the United States."

The report goes on to find that increasingly cost competitive solar electricity, which can offset energy consumption, "can deliver a significant cost savings to schools and their districts" and "serve as a key hedge against projected increases in utility rates." Finally, the report notes that onsite solar instillation can provide schools "with a unique opportunity to teach concepts in science, technology, engineering, and mathematics (STEM) and pique student interest in these critical subjects."

Since the report was published, the cost of solar PV has come down dramatically for large roof-top installations that can be deployed at many schools. In addition, solar PV can be made significantly more affordable by taking advantage of the 30% federal tax credit and rapid depreciation potentially available for solar installations. But how can tax-exempt entities, such as public and private schools, do this? Fortunately, innovative legal structures can allow tax-exempt entities to partner with tax investors to take advantage of these significant tax incentives for solar installations, where a significant portion of the tax benefits are monetized for the benefit of the school. In addition, using a competitive request for proposal process to select qualified installers and investors can potentially enhance the ability of schools to maximize the benefits of lowered solar installation costs and the important tax incentives, helping to ensure that they obtain the lowest overall solar project costs.

Moreover, schools can potentially further reduce out-of-pocket development costs by applying for additional incentives, such as those offered by Focus on Energy, Wisconsin's energy efficiency and renewable resource program. Focus on Energy offers eligible applicants (including schools) the opportunity to apply for up to $400,000 per calendar year under its Renewable Energy Competitive Incentive Program. The U.S. Department of Agriculture's Rural Energy for America Program also offers competitive grant funds for up to 25% of total eligible project costs for rural solar projects, including those developed with tax investors.

Godfrey & Kahn has worked with numerous clients to successfully obtain competitive grant funding, to partner with tax investors and to competitively bid solar projects to substantially lower project costs. For more information about renewable energy financing opportunities, please feel free to contact any member of the Godfrey & Kahn Environmental or Energy Strategies Practice Groups.

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