

QUALIFIED ENERGY CONSERVATION BONDS (2012 SUMMARY)

I. AUTHORITY FOR AND DEFINITION OF QECS

- **AUTHORITY**- The American Recovery and Reinvestment Act of 2009 (ARRA) provided that the State of California would receive \$381,329,000 in Qualified Energy Conservation Bond (QECB) allocation. In addition to an amount reserved for the states, this allocation was distributed to large local governments; defined by the federal government as an Indian Tribal Government, or, any municipality or county that has a population of 100,000 or more. This QECB allocation can be used by local governments and state entities to issue bonds for governmental use as well as private activity use. However, no more than 30% of the allocation can be used for qualified private activity bonds.
- **DEFINITION OF QECS** - A QECB can either be used as a tax credit bond or an interest subsidy bond. When used as a tax credit bond, issuers repay principal according to a set schedule and, theoretically, a 0% interest rate. In theory, the bondholder of a tax credit QECB receives a federal tax credit in lieu of interest. In actuality, bondholders will most likely want a discount on the tax credit QECB or a supplemental interest rate in addition to the tax credit. When used as an interest subsidy bond, similar to Build America Bonds, the bonds are issued as taxable bonds, with the federal government providing a direct periodic subsidy payment to the issuer used to reduce the net interest cost of the bonds. In some cases, the interest subsidy received may be up to 70% of the taxable interest rate on the bonds.

II. ELIGIBLE USES - QECB's can be used to fund the following programs and projects:

- Energy Efficient Public Buildings
- Alternative Energy Projects: Solar, Wind, Biomass, etc.
- Rural Development Electricity Production
- Research Facilities for Green Technologies
- Energy Efficient and Reduced Pollution Mass Commuting Facilities
- Green Demonstration Programs
- Green Public Education Campaigns
- Loans and Grants for Green Community Programs

III. CDLAC REALLOCATION APPLICATION AND APPROVAL PROCESS

- a) Any QECB allocation that is voluntarily waived or deemed waived will be captured and reallocated by CDLAC. For 2012 thus far, \$32.2 million is available for reallocation.
- b) Any city, county, state entity or Indian tribal government can apply for this reallocation.
- c) Applicants will have to fill out a reallocation application, which will be scored and ranked.
- d) Awards of QECB reallocation to Applicants will be based on their relative ranking.

IV. CRITICAL DATES

- January 20, 2012 - Reallocation application deadline for March 21st Meeting
- March 21, 2012 – CDLAC General Allocation and QECB Reallocation Meeting

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