



## **Accessing Federal Funding in US States, Regions, and Localities**

### **Infrastructure Investment and Jobs Act and Inflation Reduction Act**

#### **Briefing Summary**

This summary memo provides an **overview of the Infrastructure Investment and Jobs Act (IIJA, also known as the Bipartisan Infrastructure Law, or BIL) as well as the Inflation Reduction Act (IRA) and funding opportunities that can be leveraged by state and local governments to support climate change investments, economic progress, and disadvantaged and rural communities.**

This memo was developed as part of the “Accessing federal funding in the US” project implemented by the Green Recovery Alliance.<sup>1</sup> It is the **first of a series of memos and briefings** that will be developed as part of the project and will focus on specific funding opportunities for the energy (demand and supply) and transportation sectors and environmental justice requirements.

#### **Infrastructure Investment and Jobs Act**

##### **Objectives**

The passage of IIJA on November 5<sup>th</sup>, 2021 came with several key **objectives** for the Biden Administration. The bill’s primary goals include major investments in upgrading the US’s infrastructure, investing in climate change mitigation and adaptation, expanding and developing America’s workforce, and addressing environmental justice issues.

##### **Scale**

The IIJA authorizes \$1.2 trillion for transportation and infrastructure spending with \$550 billion going to “new” investments and programs. Funding from IIJA covers energy and power infrastructure, transportation, water, climate resilience and access to broadband internet. **This project focuses only on the transportation and energy sectors.**

Funding from IIJA includes **formula-based programs** where specific grant awards are allocated to specific recipients and **competitive or discretionary grant programs** where grant awards are allocated to applicants based on merit. Both competitive and formula-based programs are open to governmental and nongovernmental organizations unless specified otherwise.

Eligible recipients for funding are states, tribes, local governments, communities, and utilities.

##### **Timing**

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<sup>1</sup> The Green Recovery Alliance is a partnership between the Climate Group and the Center for Climate Strategies and this project is implemented with support from New York Community Trust.

Funding programs under the IJJA have many upcoming deadlines with many already passed. More details on deadlines and application requirements for programs will be provided in future memos.

## **Coverage**

### Transportation

Many of the programs and grants address infrastructure upgrades for electric vehicles, roads, public transportation, and other carbon reduction activities across the sector. In particular, the IJJA contains:

- Significant new funding for roadways, bridges, and other major projects funded by the Federal Highway Administration and the Department of Transportation.
- \$7.5 billion investment in electric vehicle charging to help build out a national network of 500,000 electric vehicle chargers. This includes funding for the deployment of electric vehicle chargers along highway corridors to facilitate long-distance travel and within communities to provide convenient charging where people live, work, and shop. Funding also covers specific vehicles to support the transition to electric (e.g., school buses, transit buses, and even passenger ferries).
- \$66 billion in advanced appropriations and an additional \$36 billion over the next five years for Department of Transportation's rail programs.
- \$91.2 billion to repair and modernize transit to replace thousands of deficient transit vehicles, including buses, with clean, zero emission vehicles, and improving accessibility for the elderly and people with disabilities.
- \$38 billion to improve the safety of the transportation system including the safety of drivers and vulnerable road users, safety at railroad crossings, and replacement or repair of obsolete natural gas pipelines.
- \$25 billion to address repair and maintenance needs, reduce congestion and emissions, and modernize the National Aerospace System.

### Energy

The energy component of the IJJA covers several different sectors including, buildings efficiency, clean energy and technology, and grid infrastructure and resilience.

In particular, energy related funding includes:

- About \$21.3 billion to increase the delivery of reliable, clean and affordable power, improving resilience of the grid infrastructure.
- About \$21.5 billion for clean energy demonstrations projects such as clean hydrogen, carbon capture, grid-scale energy storage, advanced nuclear reactors.
- About \$6.5 billion for energy efficiency and weatherization retrofits for homes, buildings, and communities to reduce energy costs.
- \$8.6 billion for clean energy manufacturing and workforce development.

### Environmental Justice

Many IJJA programs and grants must meet certain requirements under the **Justice 40 (J40)** initiative to be eligible for funding. J40 is a whole-of-government effort to ensure that at least 40 percent of overall benefits from federal investments in climate change and clean energy are

directed to disadvantaged communities (DACs).<sup>2</sup> The White House Environmental Justice Council has provided a variety of recommendations and principles to guide the work of J40.<sup>3</sup> Federal agencies are still in the process of defining criteria for J40 compliance and are relying on interim guidance and tools, and some of them have come up with their own interim criteria<sup>4</sup> for determining whether a community is disadvantaged. The Climate and Economic Justice Screening Tool (CEJST) under development by the White House Council on Environmental Quality (CEQ) can be used to determine whether any given community is considered disadvantaged for the purpose of J40 and federal funding.<sup>5</sup> It is unclear how other state and federal screening tools will factor into agency awards under J40.

## Inflation Reduction Act

### Objectives

The passage of the IRA on August 12th, 2022, came with several key objectives. The bill's primary goals include **reducing inflation and hastening economic recovery, while at the same time investing in climate change mitigation, environmental justice, and increasing workforce diversity.**

### Scale

The IRA results in **\$369 billion in spending** for climate change related programs and grants. Analysts suggest the bill would put the U.S. on a path to roughly **40% emissions reduction by 2030.**<sup>6</sup>

Two-thirds of these funds are in the form of federal tax credits to support the production of electricity from clean energy sources, investments in renewable energy technologies, and to address climate change through carbon sequestration, renewable fuel production, and clean energy manufacturing. These tax credits will also lower the cost to households and businesses of investing in energy efficiency and purchasing electric vehicles. The remaining one-third

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<sup>2</sup> <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad/>

<sup>3</sup> <https://www.epa.gov/environmentaljustice/whejac-justice40-climate-and-economic-justice-screening-tool-executive-order>

<sup>4</sup>Such as, (1) *US DOT Transportation Disadvantaged Census Tracts (Historically DACs) Tool* developed by US Department of Transportation (USDOT) to help grant applicants determine whether the locations of their proposed projects were in a DAC based on the above indicators:

<https://usdot.maps.arcgis.com/apps/dashboards/d6f90dfcc8b44525b04c7ce748a3674a>

(2) *The Electric Vehicle (EV) Charging Justice40 Map Tool* developed by USDOT and UD Department of Energy (USDOE) is a tool to help EV charging planning efforts align with the Justice40 goal by displaying multiple data layers identifying DACs, Federal Highway Administration (FHWA) designated EV corridors, public DC fast charge stations (non-Tesla), and electrical substations:

<https://anl.maps.arcgis.com/apps/webappviewer/index.html?id=33f3e1fc30bf476099923224a1c1b3ee>

(3) *The Low-Income Energy Affordability Data (LEAD) Tool*, developed by USDOE is a mapping tool design to help states, communities and other stakeholders to understand low-income housing and energy characteristics such as annual energy burden (% of income), and annual energy cost: <https://www.energy.gov/eere/slsc/maps/lead-tool>

<sup>5</sup><https://www.whitehouse.gov/ceq/news-updates/2022/02/18/ceq-publishes-draft-climate-and-economic-justice-screening-tool-key-component-in-the-implementation-of-president-bidens-justice40-initiative/>

<sup>6</sup> Please refer to the following analyses: [https://rhq.com/research/inflation-reduction-act/?utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=newsletter\\_axiosgenerate&stream=top](https://rhq.com/research/inflation-reduction-act/?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axiosgenerate&stream=top); [https://energyinnovation.org/wp-content/uploads/2022/08/Modeling-the-Inflation-Reduction-Act-with-the-US-Energy-Policy-Simulator\\_August.pdf](https://energyinnovation.org/wp-content/uploads/2022/08/Modeling-the-Inflation-Reduction-Act-with-the-US-Energy-Policy-Simulator_August.pdf); <https://www.moodyanalytics.com/-/media/article/2022/assessing-the-macroeconomic-consequences-of-the-inflation-reduction-act-of-2022.pdf>

includes funds to support conservation practices to mitigate emissions from agriculture and forestry. Grants, rebates and federal procurement will promote the adoption of clean energy technologies, as well as energy efficiency improvements in housing.

### **Timing**

The Treasury department will issue tax credit and direct pay guidelines in early October 2022. The announcement of the National Accelerator is also expected in October 2022. Other agencies are expected to issue funding guidance for grants and loans by early 2023.

### **Key Components**

#### Tax Credits and Direct Pay

The IRA creates a range of **tax credits applying across multiple sectors including buildings, transportation, energy, and natural resources**. A **direct pay option** equal to the amount of certain specified credits is also established with corporations, nonprofits and tax-exempt organizations, local governments, and community organizations eligible. For tax-exempt entities that do not file tax returns, guidance will be issued by the Treasury Department addressing the timing and process for claiming the direct pay tax credit.

Key incentive programs include:

- \$9 billion in rebates for low-income consumers to electrify appliances or for energy efficient home retrofits.
- Tax credits for rooftop solar, heat pumps, and other energy efficient appliances for 10 years.
- \$4000 tax credit to purchase used alternative fuel vehicles and \$7500 for new vehicles.
- Production tax credits for domestic production of solar panels, turbines, and storage systems.
- Tax credits to produce sustainable biofuels.

#### Grants and Loans

New grant and loan programs managed by multiple government agencies will become available to support **low carbon activities by both government and private entities**. The grants and loans will largely be managed by the US Department of Energy, Department of Transportation, Environmental Protection Agency, Department of Agriculture, and others. This includes:

- \$1 billion in grants for energy efficient retrofits of affordable housing.
- \$2 billion for retrofitting auto manufacturing to produce alternative energy vehicles.
- \$20 billion in loans to build new clean energy vehicle manufacturing facilities.
- Grants for research that reduces emissions from industrial processes.

#### National Green Bank Accelerator

The IRA establishes a National Green Bank (NGB) Accelerator, a **fund containing a pool of \$27 billion to support, through competitive grants, national and local “green banks,”** which will use the money to invest in projects to reduce or avoid greenhouse gas emissions and other forms of air pollution with a focus on **disadvantaged communities**. These include the growth of clean energy projects at the state level, improving and expanding clean energy capacity and emissions reducing technologies. The NGB Accelerator will be administered by EPA and will deploy \$27 billion through:

- Direct project investment in large infrastructure projects with high emissions reduction and clean energy generation potential.
- Indirect investment in existing and new financial intermediaries at the local, state, regional, or national levels engaged in targeting affordable household and business credits and measurable environmental and economic benefits.

More specifically, the fund is divided into three pots. The first contains \$7 billion for projects intended to help low-income and disadvantaged communities deploy or benefit from greenhouse gas emission reduction activities or technologies. The second pot is also earmarked to support low income and disadvantaged communities by funding direct or indirect investments in renewable energy projects; and the third pot contains almost \$12 billion that can be used broadly to support eligible direct and indirect investments in renewable energy projects nationwide.

#### Defense Production

The IRA provides \$500 million in funding to the Defense Production Act for the production of heat pumps and increase in the processing of critical minerals allowing for greater support towards clean energy, transportation, and grid infrastructure and transmission resilience.

#### Environmental Justice

The IRA will continue to **support the Biden Administration's J40 initiative** with targeted loans and grants. A 10% investment tax credit is included in the bill along with workforce diversity and domestic content requirements. More specifically:

- \$60 billion in funds for environmental justice related projects.
- \$3 billion for the Environmental and Climate Justice Block Grants program for projects in disadvantaged communities related to environmental and climate justice.
- \$3 billion for the Neighborhood Access and Equity grants program to build out transportation infrastructure, reconnect communities, and mitigate impacts from transportation facilities.
- \$3 billion in grants for reducing pollution from ports.
- \$1 billion in funding for clean heavy-duty vehicles such as garbage trucks and busses.
- A 10% Investment Tax Credit bonus for Environmental Justice compliance.

Billions of dollars will also be made available for rural communities

- \$20 billion for climate resilient agriculture.
- \$5 billion for resilient forests, conservation, and tree planting, especially in urban areas.
- \$2.6 billion for coastal conservation and resilience.

**If your government is interested in participating in this project to receive tailored support for the access of federal funding opportunities in the US, please reach out to Senior Program Officer Gillian Ertel at [gertel@climategroup.org](mailto:gertel@climategroup.org) or fill out [this form](#).**