

# In Brief

FEDERAL UPDATE | INTERNATIONAL PARTNERSHIPS



## FEDERAL UPDATE

### Build Back Better *Never* Something

BY GALEN MCDONALD

**L**et's talk about the Inflation Reduction Act of 2022 (IRA). It may not be the original Build Back Better Act that the current administration set out to enact, but it is something. This article explains what's in the law and what it means for your jurisdiction.

#### What is the IRA?

The IRA was signed into law on August 16, 2022, and according to the White House, it "will lower costs for families, combat the climate crisis, reduce the deficit, and finally ask the largest corporations to pay their fair share." The IRA is a reduced and revised version of the Build Back Better Act, or the climate and health bill. The IRA focuses on three key areas: healthcare, clean energy, and taxes.

This article will discuss each of these areas, touching briefly on healthcare and taxes before diving

deeper into clean energy. We'll finish off by providing some suggestions and further resources.

#### Healthcare under the IRA

The act aims to cut prescription drug costs and lower healthcare costs, which may in turn lower healthcare costs for employers. The act allows Medicare to directly negotiate for prescription drug prices in 2023. It creates a cap on Medicare patients' out-of-pocket costs, provides cost-free vaccines for seniors, and more.

#### Taxes under the IRA

Deficit reduction, clean energy, and climate investments are key priorities, and the act contains four primary tax-related instruments for raising money to meet these priorities.

The act will raise \$222 billion through "a corporate alternative minimum tax on corporations that earn more than \$1 billion in annual

profit, but do not pay at least a 15 percent tax rate." Approximately \$203 billion will come from "investing \$80 billion over the next ten years for tax enforcement and compliance" under the IRS. This corporate minimum tax would have a direct but minimal impact on the demand for municipal bonds, as the affected corporations don't generally invest in munis. A 1 percent fee "on stock buybacks by publicly traded corporations" will raise \$74 billion. Finally, \$52 billion will be raised "by extending the limitation on excess business losses for two years."

The act also reinstates the Superfund tax, which will raise more than \$11 billion for Superfund cleanups. The act also includes tax credits to promote clean energy and the environment. Another tax credit will "make used clean vehicles affordable" for those with low and moderate incomes. The existing Investment Tax Credit and Production Tax Credits

for renewable energy now include “bonus 10 percent credits for projects built within legacy communities” and an “increase in energy credit for solar and wind facilities placed in service in connection with low-income communities.” The latter involves either a 10 or 20 percent bonus credit, depending on where the projects are installed. Finally, there is an extension of the \$10 billion advanced energy project credit, which includes \$4 billion to build new clean technology manufacturing facilities in legacy coal communities.

### Clean energy and the environment under the IRA

The administration has three main clean energy goals with the act: lowering energy costs, building a clean energy economy, and reducing harmful pollution. The act includes the following terms.

- **Environmental justice.** The Environmental Protection Agency (EPA) defines environmental justice as “the fair treatment and meaningful involvement of all people

regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies.”

- **Legacy pollution.** According to the National Park Service, legacy contaminants are “chemicals once used in the U.S. but then discontinued or outright banned,” and they often “linger in soil and water” while slowly breaking down.
- **Disadvantaged communities.** According to Executive Order 14008: Tackling the Climate Crisis at Home and Abroad, disadvantaged communities are those that “have been historically marginalized and overburdened by pollution and underinvestment in housing, transportation, water and wastewater infrastructure, and healthcare.” GFOA’s Federal Liaison Center will be monitoring this definition development closely as it is widely known that disadvantaged communities may be defined differently elsewhere (such as in state or local policies).

- **Non-attainment areas.** According to the EPA, a non-attainment area is “any area that does not meet (or that contributes to ambient air quality in a nearby area that does not meet) the national primary or secondary ambient air quality standard for a NAAQS.”

The clean energy and environment investments promote three main points:

1. Legacy pollution reduction.
2. Affordable and accessible clean energy for disadvantaged communities.
3. Better quality of life and good jobs.

**Legacy pollution reduction.** The act directs significant funding toward reducing legacy pollution. Several programs specifically build on the environmental justice-related programs within the Infrastructure Investment and Jobs Act. Cities and counties will likely be eligible for these funds, and special districts or political subdivisions are expected to be included as eligible entities as well. This information will be included in the forthcoming Notice of Funding Opportunities.





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One such to be included is the Neighborhood Access and Equity Program, which includes approximately \$3 billion in competitive grants, with priority given to disadvantaged communities for projects that improve connectivity/mobility, reduce urban heat, and improve safety, among other things. Another program included is the \$2.8 billion for Environmental and Climate Justice Block Grants, which are available to local governments that are partnered with a community nonprofit to fund community-led efforts in pollution monitoring, prevention, and remediation, and more.

Another \$3 billion is allocated for grants to reduce air pollution at ports through climate action plans and implementation of zero-emission technology. A new Clean Heavy-Duty Vehicles program at the EPA will receive \$1 billion to cover zero-emission buses including school buses and garbage trucks. Diesel emission reduction from goods movement facilities will be covered by \$60 million in grants.

Another \$236 million will go toward air pollution monitoring, with a focus on disadvantaged communities, and an additional \$50 million will go specifically toward monitoring and reducing air pollution in low-income and disadvantaged community-area public schools.

A low-emissions electricity program will provide \$87 million in funding for a technical assistance program to state and local governments to help greenhouse gas emission reduction.

**Affordable and accessible clean energy for disadvantaged communities.** The act includes a greenhouse gas reduction fund to help communities deploy or benefit from clean energy projects and pollution-reducing technologies. At least 60 percent of the funds will focus on disadvantaged communities, and it will be provided to non-federal governments through one of three collections:

- \$7 billion “for zero-emission technology deployment...in low-income and disadvantaged communities.” The technology deployment may include rooftop and community solar.
- \$8 billion for low-income and disadvantaged communities “for a general fund making broad investments in reducing greenhouse gas emissions and promoting environmental justice.”
- \$11.97 billion for another general fund that isn’t designated for low-income and disadvantaged communities.


The IRA also creates a \$1 billion grant program for “improving energy efficiency or water efficiency or climate resilience of affordable housing,” and \$9 billion for two home energy rebate programs specifically for low- and moderate-income single-family and multifamily households.

**Better quality of life and good jobs.** Several grant programs totaling \$2 billion are directed at programs that will improve communities’ quality of life and provide jobs; \$1.5 billion is going toward planting trees and establishing community and urban forests, and an additional \$50 million will be available in competitive grants to create urban parks. Disadvantaged

communities will receive another \$550 million for planning, designing, and constructing water supply projects. Nearly \$400 million will go directly toward building resiliency for tribal governments and communities.

### Obstacles and resources

A few obstacles governments might face are finding funding opportunities the community qualifies for, meeting cost-sharing requirements and/or meeting federal data reporting requirements and locating areas of your community that meet definitions of disadvantaged communities. GFOA will work to help alleviate any issues that come up.

- The federal update column from the August 2022 issue of *GFR* ([gfoa.org/materials/gfr822-where-my-money](https://gfoa.org/materials/gfr822-where-my-money)) goes into detail about the federal grant process and suggests ways to overcome some of the challenges to successfully accessing government dollars.
- The current administration’s Climate and Economic Justice Screening Tool is also a great resource for identifying disadvantaged communities and taking advantage of funding targeted to those communities.
- GFOA’s IRA Funding Tracker is another useful resource. Like our Infrastructure Investment and Jobs Act Notice of Funding Opportunities tracker, the IRA tracker will show notices of funding opportunities and relevant information including submission deadlines and where to apply. The IRA Funding Tracker is available at [gfoa.org/flc](https://gfoa.org/flc). 

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*For further analysis, see Justin Marlowe’s article on the topic on page 74 of this issue.*