

Statement of the
National Association of College and University Business Officers
to the
House Committee on Ways and Means
Tax Reform Working Group on
Energy
on
Energy Efficiency Incentives

April 10, 2013

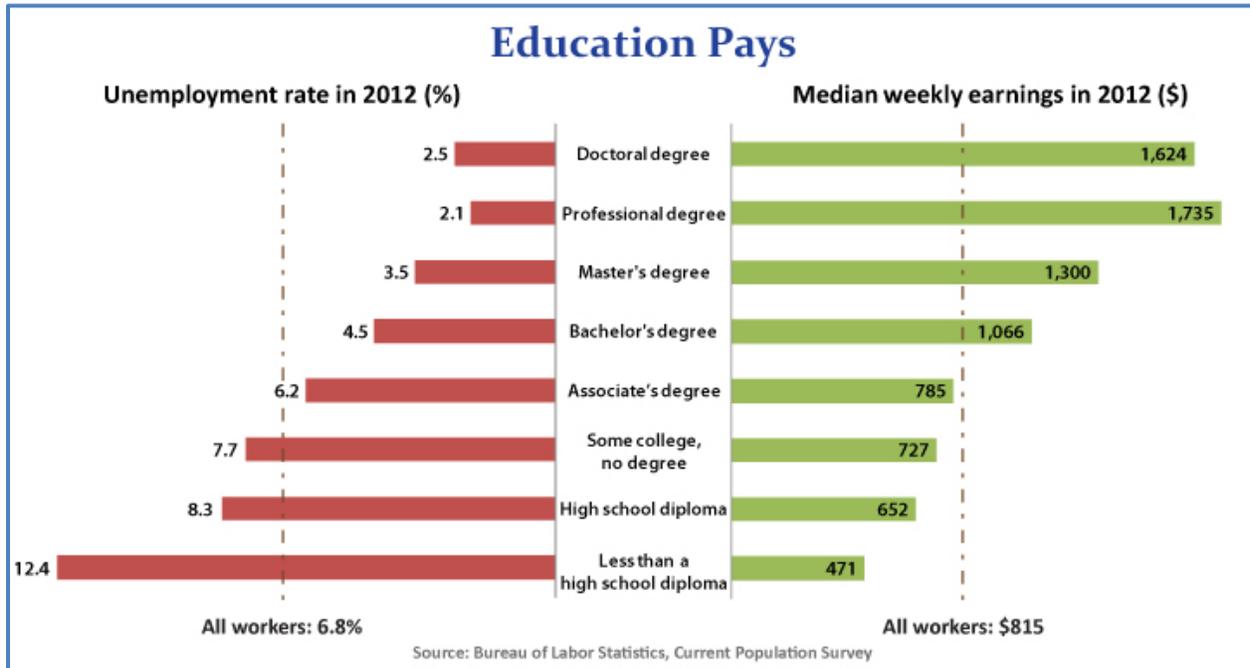


National Association of College and University Business Officers

NACUBO's membership includes the chief business, financial and administrative officers at nearly 2,200 colleges and universities.

Education Benefits Individuals and Society

The teaching, research, and public service missions of colleges and universities provide society with an educated citizenry; a skilled, productive workforce; and new innovations and technologies to improve quality of life. They also strengthen our nation's security and fuel economic growth. The chart below illustrates the beneficial relationship earning a college degree has on unemployment.



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

Source: Bureau of Labor Statistics, Current Population Survey.

Last Modified Date: January 28, 2013

About NACUBO

NACUBO was established in 1962 to promote sound financial management in higher education and provides its members and others information and technical assistance in the field of higher education management and financial administration. NACUBO represents nonprofit and public institutions to policy makers and standard-setting agencies, providing comments and opinions on a wide range of issues. NACUBO advocates for fair and equitable treatment under federal laws and regulations, particularly on those requirements that address financial administration and management of colleges and universities.

The annual NACUBO-Commonfund Study of Endowments® is the most comprehensive analysis of investment management at the nation's institutions of higher learning. NACUBO also annually publishes the Student Financial Services Benchmarking Study and the Tuition Discounting Study, which measures tuition discounts and institutional grant awards at four-year private nonprofit colleges and universities.



ENERGY EFFICIENCY INCENTIVES

As Congress considers comprehensive tax reform, the National Association of College and University Business Officers (NACUBO), Second Nature, and the American College & University Presidents' Climate Commitment (ACUPCC) are presenting policy options for changes in tax policy that would allow colleges and universities to reduce long-term energy expenses, increase operational efficiencies and ultimately contribute to administrative efforts to contain costs.

The pursuit of substantial energy savings and new energy sourcing already happening on college campuses across the country reflects a strong commitment by presidents and business administrators and a mounting community consensus that substantial shifts in campus operations are absolutely essential to maintain a healthy bottom line.

In conversations with many individual campuses, higher education associations, NGOs, and other key stakeholders, the ACUPCC Financing Committee and NACUBO's Sustainability Advisory Panel identified these proposals to enable and encourage nonprofit higher education institutions of all sizes and types to reduce energy consumption, increase efficiencies, avoid risks, and improve their long-term financial sustainability.

Policy Options for Fostering Energy Efficiency and Renewable Energy in Higher Education

- Allow tax-exempt revenue bond financing to prepay power purchase agreements. The transition to renewable energy is most expensive for the first 5 to 10 years, until projects begin to pay off. Because large-scale power purchase agreements (PPAs) for these projects cost more initially, one solution would be to allow colleges and universities to pre-purchase a 20-year supply of power with low-cost capital bonds and with flexibility to shape the debt (e.g., interest-only payments during the early years). The opportunity to use tax-exempt revenue bond financing for prepayment of PPAs is currently not a qualified use for the nonprofit higher education sector, although it is available to municipal utilities.
- Develop new energy-efficiency and renewable-energy loan options for institutions of higher education. Colleges and universities use term loans to fund a wide variety of projects, including energy investments. There is wide variability in up-front and ongoing administrative costs as well as interest rates, debt term and structure, and market conditions on bank debt. A federal loan guarantee program and/or a federal revolving loan fund dedicated to higher education energy-efficiency and renewable-energy efforts can take some of the variability and uncertainty off the table as institutions embark on a long-term energy strategy.
- The American Recovery and Reinvestment Act of 2009 created a renewable-energy grant program that is administered by the U.S. Department of Treasury as Renewable Energy Grants, taken in lieu of the federal Business Energy Investment Tax credit (ITC). Only colleges and universities partnering with commercial developers can benefit from the program. Eligibility should be extended to tax-exempt entities.

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ENERGY EFFICIENCY INCENTIVES

- Allow long-term charitable deductions and tax credits for biomass and biomethane contributions. Solar, wind, hydro, and geothermal energy are not viable options in all parts of the country. However, biomass and biomethane, especially in agriculturally dense communities, have proven to be practicable options and of growing interest within the higher education sector for combined heat-and-power applications. Agricultural communities in particular offer great promise for institutions to partner on projects that would reduce consumption of and dependence on foreign sources of energy and would open up new possibilities for domestic fuel markets. These systems hold great promise not only for college and university energy generation but for transforming the nation's energy economy. Yet, construction of a bio-digester plant represents a huge capital investment—upwards of tens of millions to hundreds of millions of dollars to get up and running at scale. Likewise, assurance of a steady flow of the materials needed to power the system is essential for embarking on such a large-scale commitment. A change in the tax code to assign a charitable contribution to a supplier of organic material (e.g., farm, canning operation, cheese maker, etc.) and make it contingent on a length of time (e.g., 10 years) would give incentive to the provider to maintain the flow of materials and would provide reassurance regarding supply to institutions contemplating such a major investment.
- Extend eligibility of clean and renewable energy bonds. The U.S. higher education sector is a national leader in renewable-energy purchasing and development. Colleges and universities in many cases are exceeding state-mandated renewable portfolio standards as part of their total power supply, some with support from Clean and Renewable Energy Bonds (CREB). The CREB program allows entities to finance renewable-energy projects at lower costs than traditional financing mechanisms. Currently, private colleges and universities are not eligible to take advantage of this tax credit bond. Extending eligibility of this financing option to independent institutions could boost participation in renewable-energy markets.

According to the National Center of Education Statistics, colleges and universities annually expend more than \$14 billion in operations and maintenance of buildings and grounds. They also expend \$6-\$7 billion each year on energy and utilities, about three quarters of which is directed toward electricity generation, transmission, and use. Estimates from APPA, the national association representing higher education facilities officers, estimates that America's colleges and universities collectively own and manage more than 250,000 buildings and heat and cool more than five billion square feet of space on a daily basis—no insignificant expenditure. For every college and university, managing energy resources bears a direct impact on the institution's ability to be a good steward of its financial resources.