



# EXPLAINER

CONGRESSIONAL  
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CAUCUS CENTER

## Direct Pay: Building Jobs & Sustainable Public Energy in Local Communities | *FAQs for Local Governments*

### What can Direct Pay funds do for my community?

For the first time, thanks to the Inflation Reduction Act, the federal government will give tax-free, direct cash funding to tax-exempt entities like local governments, schools, hospitals, public utilities, houses of worship, and nonprofit organizations to build renewable energy projects like solar arrays, wind turbines, and storage resources like batteries. These projects clean up our air and create good-paying, union jobs. By owning and operating a renewable energy system, a community gets resilient power *and* the chance to act on the climate crisis. It also saves money by reducing energy costs, and those savings can fund things the community needs.

### What are examples of potential Direct Pay projects?

Below are just a few possibilities:

- A city can build a solar project on top of a cleaned-up Brownfield and provide residents with low-cost clean energy and good-paying jobs.
- A school system can transition to clean, electric-powered buses and put solar-powered charging ports in every school. The school system saves money and reduces dangerous diesel emissions that put our kids at risk.
- A city can convert its buses and city vehicles to electric vehicles and build publicly-owned charging infrastructure.
- A town can weatherize its senior center so it's less costly to heat, and use money saved on the town's energy bills to help seniors behind on utility bills.
- A local housing authority can repair public housing to make it safer, more livable, and more energy efficient.
- A Tribal Government can build community-owned solar and wind power and bring electricity to parts of the reservation living without power.

### How much money is available for my government through Direct Pay?

It's unlimited! Direct Pay funds come in the form of refundable tax credits. Since eligible entities are tax-exempt, the tax credits are cash payments from the federal government. The credits last until 2032 and will cover 30-70 percent of project costs. While the entity doing the project must cover the upfront costs, every project that completes a pre-filing process and meets the IRS's requirements will get Direct Pay funds. Projects that meet worker protection standards, buy American-made materials, and support communities with the greatest need will also qualify for extra funding.

## How will the federal government deliver funding for Direct Pay renewable energy projects?

Funds will come primarily through the Investment Tax Credit (ITC) and Production Tax Credit (PTC). The ITC is a one-time credit the IRS gives once the project begins producing energy. The PTC is based on the electricity the project produces over 10 years.

## How can Direct Pay maximize racial and economic justice where I live?

Eligible entities can maximize economic justice for working people by meeting the Inflation Reduction Act's requirements to pay workers a prevailing wage and use registered apprentices on projects, so workers get the training they need to build careers. State and Local governments can also ensure their projects create safe and high-quality jobs *and* that projects stay on time and on budget by using union labor. See [FAQs on How to Protect Direct Pay Project Workers](#) for more information.

Governments can maximize racial justice by taking on projects that serve low-income communities and people of color. For example, a government might build resilient power in communities prone to blackouts and outages, or in frontline communities experiencing the health impacts of pollution from fossil fuel extraction and refining, where people of color are more likely to live. Governments can also prioritize workers of color when hiring for Direct Pay project jobs. Tools like pre-hire collective bargaining agreements can include hiring targets for workers of color, women, workers with disabilities, or veterans. These agreements bring [jobs to underserved communities and shrink](#) racial and gender pay disparities. Finally, governments may cover upfront costs for community organizations' Direct Pay projects to broaden access even further.

## How can I get the word out about Direct Pay in my community?

Check out the CPC Center's talking points, sample social media posts, graphics, and more materials you can use or adapt in our [Partner Toolkit](#).

## Where can I get more information as I prepare to access Direct Pay funds?

**[Sign up for CPC Center updates on Direct Pay!](#)** You'll get invitations to CPC Center webinars, technical assistance to help your community get Direct Pay funds, resources to build support for direct pay projects, and more. **You can also find additional materials, like [FAQs on Direct Pay](#), on the [CPC Center's website](#).**