



Connecting Communities with Historic Federal Clean Energy Investments

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MIDWEST RURAL FEDERAL FUNDING OUTREACH SERIES | ACEEE

Local governments of small and medium-sized communities can help their residents lower energy bills in homes, businesses, and municipal buildings through energy efficiency and renewable energy projects. To aid in this effort, large amounts of federal funding have been made available to local governments in the American Rescue Plan Act (ARPA), Infrastructure Investment and Jobs Act (IIJA), and Inflation Reduction Act (IRA). This fact sheet highlights key ARPA, IIJA, and IRA energy efficiency and renewable energy programs and a list of state and federal resources to facilitate access, with a focus on small and medium local governments serving rural residents.¹

Why invest in local energy efficiency and renewable energy?

By reducing energy use and generating electricity from clean, cheap, local sources, local governments can help lower household energy bills while also reducing pollution and improving residents' health. ACEEE [has found](#) that rural households spend a disproportionately higher share of their income on energy bills—about 40% more than their metropolitan counterparts. Energy efficiency and renewable energy can also support rural economic development by improving energy affordability, generating tax revenue, and stimulating local business. Additionally, onsite renewables can strengthen community resilience, especially when paired with energy storage, by protecting against power interruptions that pose uniquely severe threats for smaller communities.

¹ For these fact sheets, ACEEE defines a *rural household* as one outside of a metropolitan census tract of 50,000 residents or more, which includes many small and medium-sized towns. Local governments can use this [Census Bureau map](#) to quantify urban and rural residents and estimate rural population density.

PRIORITY FEDERAL PROGRAMS

The following table summarizes some of the key ARPA, IIJA, and IRA funding opportunities to help support local energy efficiency and renewable energy projects that contribute to economic development and community resilience by reducing energy costs, strengthening resistance to extreme weather, and promoting energy independence. Below the table, we describe each federal program, including eligible applicants, eligible projects, total funding, and other key details.²

PROGRAMS HIGHLIGHTED IN THIS FACT SHEET

Program name	Agency and office	Type of funding ³	Next milestone*
Energy Efficiency and Conservation Block Grant Program (EECBG)	U.S. Department of Energy (DOE), Office of State and Community Energy Programs (SCEP)	Formula funding to states and local governments (smaller local governments apply through the state); some competitive funds	Applications are expected to open by the end of 2022.
Energy Improvement in Rural and Remote Areas	U.S. DOE, Office of Clean Energy Demonstrations	Competitive funding available to various entities, including local governments	Applications are expected to open in fall 2022.
Deployment of Technologies to Enhance Grid Flexibility	U.S. DOE, Office of Electricity	Competitive funding available to utilities	Applications are expected to open by the end of 2022.
Building Resilient Infrastructure and Communities (BRIC)	U.S. Department of Homeland Security, Federal Emergency Management Agency (FEMA)	Competitive funding; local governments apply through the state	Funding is expected to be announced in August 2022.
American Rescue Plan: Coronavirus State and Local Fiscal Recovery Fund	U.S. Treasury Department	Formula funding for states and local governments	Funding was disbursed in May 2022.
Various Programs: Inflation Reduction Act	Various, including U.S. DOE and the Environmental Protection Agency	Various	To be announced

*As of August 2022. See below for more details.

² ACEEE identified programs using the White House's IIJA guidebook data [here](#).

³ Formula funds are allocated to states or local governments based on predetermined formulas set by Congress and often include minimum funding amounts. Competitive funds are allocated to applicants selected by the administering agency through a competitive process.



Solar panels in Hutchinson, Minnesota. Source: John Paulson.

Energy Efficiency and Conservation Block Grant Program. These grants help local governments, tribes, and states finance energy efficiency projects, renewable energy projects, and transportation efficiency projects like electric vehicles. These entities can use funds for a broad range of energy-related initiatives, including technical assistance, incentive programs, retrofit grants, and distributed energy infrastructure (e.g., rooftop solar, battery storage, or combined heat and power). This is one of the few federal programs that award local governments energy efficiency funds directly. In fiscal year 2022, \$550 million will be available until expended.

Energy Improvement in Rural and Remote Areas. Cooperative agreements—grants with a higher level of collaboration with the granting agency—through DOE’s newly established Office of Clean Energy Demonstrations are available to local and state governments, community-based organizations, and other entities to improve reliability, safety, resilience, and availability of energy for cities and towns of less than 10,000 people. These entities can use funds for increasing energy efficiency, upgrading transmission and distribution infrastructure, providing or modernizing generation facilities, reducing emissions from generation, or developing microgrids—smaller grids that are connected to the local grid but can operate independently when needed. Through fiscal year 2026, \$1 billion will be available.⁴

Deployment of Technologies to Enhance Grid Flexibility. These DOE matching grants for utilities, including municipal utilities and rural electric cooperatives, support up to 20% of the cost of smart grid investments that improve demand flexibility, provide energy storage, integrate distributed resources, and support grid resilience, especially in the event of extreme weather. Through fiscal year 2026, \$3 billion will be available.⁵

⁴ Visit DOE’s [Energy Improvement in Rural or Remote Areas](#) or [Office of Clean Energy Demonstrations](#) for more information and updates.

⁵ See DOE’s [Deployment of Technologies to Enhance Grid Flexibility](#).

Major IIJA State Formula Funding for Existing Energy Efficiency and Renewables Programs:

- **Weatherization Assistance Program**—received an additional \$3.5 billion
- **Low Income Home Energy Assistance Program**—received an additional \$500 million (and \$4.5 billion through ARPA)
- **State Energy Program**—received an additional \$500 million

As state agencies budget state formula energy efficiency funds, local officials should advocate for their local needs.

Building Resilient Infrastructure and Communities (BRIC). FEMA grants are available to states, tribes, and local governments to invest in resiliency capacity building (such as workforce development, building codes, project scoping) and a broad range of projects to increase resilience from natural hazards and climate change.⁶ Grants are available for up to 90% of project costs.⁷ FEMA also offers direct technical assistance for project and application development and planning. One billion dollars is available until expended.

American Rescue Plan: Coronavirus State and Local Fiscal Recovery Fund (ARPA). This legislation included \$130.2 billion in formula grants directly to cities and counties and \$19.5 billion for states to distribute to [local governments serving populations under 50,000](#). These funds are intended to respond to the economic impacts of COVID-19 and were distributed in two equal installments in May 2021 and May 2022, to be budgeted by 2024. As of July 2022, large cities and counties had only [budgeted about 40% of these funds](#) and spent even less. Many local governments may still have yet-to-be-budgeted ARPA dollars. Eligible uses include weatherization for low- and moderate-income homes, efficiency improvements for public water treatment works and school facilities, health and sustainability improvements for residential neighborhoods, efficiency and renewable energy workforce development, and grants to affected small businesses or nonprofits. Because portions of ARPA funds can be used for government services, local governments can also explore using these funds to support energy efficiency and renewable energy for their residents and in facilities not specified above. For example, Rockingham County, New Hampshire, used ARPA funds to build the state's largest [solar array](#) on a new county building.⁸

Inflation Reduction Act. This law allocates significant federal investments in energy efficiency and renewable energy, some of which may be directly available to small and medium local governments. The proposed bill includes \$1 billion for states and cities to adopt strong building codes, \$3 billion in Environmental and Climate Justice Block Grants for disadvantaged communities to reduce emissions and improve public health, \$5 billion through the EPA Climate Pollution Reduction Grants for states, tribes, and municipalities to reduce climate pollution, and \$1 billion in additional loan authority for rural renewable energy loans.⁹

⁶ Local governments are subapplicants and must apply through the state point of contact. See this [list of State Hazard Mitigation Officers](#). Due to the coronavirus pandemic, all regions qualify as having experienced a major disaster in the last seven years. Visit FEMA's [Building Resilient Infrastructure and Communities](#) page for new and past funding announcements.

⁷ Grants provide 75% cost matching, though economically disadvantaged rural areas receive 90% cost matching (defined by FEMA as communities with fewer than 3,000 residents and an average per capita income not exceeding 80% of the national average). The non-federal cost share can be paid in in-kind services. More information can be found [here](#).

⁸ For additional information on the ARPA SLFRF, see the U.S. Treasury Department's [Coronavirus State and Local Fiscal Recovery Funds webpage](#). A final rule expanding the eligible uses of these funds was released in January 2022. An overview of the rule is available [here](#), and a Frequently Asked Questions (FAQ) page is available [here](#). Project examples can be found at the [Local Government ARPA Investment Tracker](#).

⁹ The Inflation Reduction Act was passed in August 2022. At the time of this writing, limited program information is available.

ENERGY EFFICIENCY AND RENEWABLE ENERGY PROGRAM RESOURCES:

FEDERAL RESOURCES

- [DOE IIJA Program & Funding Opportunity Announcements](#). DOE.
- [Guide on where to find funding](#). DOE.
- [Federal Resources for Rural America](#). Aspen Institute.

STATE CONTACTS

Local governments can contact state energy offices to identify federal energy efficiency and renewable energy funds available for municipalities and the processes for accessing them. The table below contains contact information for state energy offices in several midwestern states.

State	State energy office and link	Contact name	Contact email*
Illinois	Illinois Environmental Protection Agency, Office of Energy	Chad Kruse	chad.kruse@illinois.gov
Indiana	Indiana Office of Energy Development	N/A	grants@oed.in.gov
Michigan	Michigan Department of Environment, Great Lakes, and Energy	Jessie Crawford David Gard ¹	crawfordj15@michigan.gov dgard@5lakesenergy.com
Minnesota	Minnesota Department of Commerce	N/A	fedquestions.commerce@state.mn.us

**As of August 2022. ACEEE was unable to identify state energy office contacts in Iowa, Ohio, and Wisconsin. ¹Michigan is funding a grant through a company called 5Lakes Energy to help local governments pursue IIJA funding.*

For more information, next steps, and frequently asked questions, see our companion fact sheet, “Strategies for Local Governments to Access Federal Funding for Energy Efficiency, Renewable Energy, and Transportation Efficiency.” The infographic below summarizes steps local governments can take to access federal funding. In forthcoming fact sheets, ACEEE will highlight energy efficiency and renewable energy program models that local governments can pursue with federal funding.

