Leveraging For-Profit Businesses to Increase Non-Profit Energy Efficiency: Findings From Oregon's Business Energy Tax Credit Program

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Abstract

The Oregon Department of Energy Business Energy Tax Credit Program was created in 1979 as in incentive for businesses to invest in energy conservation, renewable energy resources, recycling, and less polluting transportation fuels. Under the program, business owners can file a 35 percent tax credit for certified project costs over a 5-year period. In 2001, ODOE added a Pass-through Option to allow non-profit organizations, schools, tribes, public entities and others without a tax liability to participate. The Option allows for any energy project owner, with or without a tax liability, to transfer or "pass-through" their tax credit eligibility to a business partner (with a tax liability) willing to accept the tax credit in exchange for cash payment. Since 2001, completed Pass-through projects have achieved annual energy savings of over 4,000,000 MMBtus and over 1,500 projects have been matched with partners.

This paper presents key findings from an evaluation of the Pass-through Option. These findings were derived from an analysis of program data, a phone survey of energy project owners, and in-depth interviews with a range of experienced program actors. The evaluation results will be of interest to other jurisdictions that are seeking ways to increase energy efficiency investment in the non-profit sector and to evaluators of similar programs.

Introduction

The Business Energy Tax Credit (BETC) program administered by the Oregon Department of Energy (ODOE) promotes energy conservation and renewable energy development by allowing businesses to claim a portion of their eligible project expenses as tax credits. Business and organizations without a tax liability can also participate in the program through the Pass-through Option, which allows them to sell or "pass-through" their tax credit eligibility to a for-profit business partner (with a tax liability) willing to accept the tax credit in exchange for a lump sum cash payment.

Since 2001 when the Pass-through Option was introduced, the number of participants has grown significantly, and ODOE will be developing a strategic plan to more effectively administer the program[1]. The plan will address participation barriers and promote additional investment in conservation and renewable energy projects in Oregon. The purpose of this evaluation was to collect program data and analyze trends, conduct market research, and propose program and policy changes to serve as a foundation for ODOE's strategic planning efforts.

Program Background

The BETC Program was created in 1979 as an incentive for businesses to invest in energy conservation and renewable energy resources; the program later expanded to include recycling and less polluting transportation fuels. Under the program, business owners can file a 35 percent tax credit for certified above-market project costs over a 5-year period (10 percent the first 2 years and 5 percent the last three years), and unused credits can be carried forward up to 8 years.

[1] In 2006, 42 percent of all BETC projects were Pass-throughs. Pass-through projects also accounted for 70 percent of all tax credits issued and MMBtus saved.

In 2001, ODOE added a Pass-through Option to allow non-profit organizations, schools, tribes, public entities and others without a tax liability to participate. The Option allows for any energy project owner, with or without a tax liability, to transfer or "pass-through" their tax credit eligibility to a business partner that has a tax liability and therefore can use the tax credit. For projects with certified costs less than or equal to $20,000, the business partner pays the project owner 30.5 percent of the cost, and writes off the full 35 percent in the first year. For projects with costs greater than $20,000, the partner pays the owner 25.5 percent of the costs, and writes off 35 percent over 5 years.

The program is promoted by ODOE through multiple channels including its website, an informational brochure, telephone helpline with quick response, and staff presentations. Potential projects must apply to ODOE for Preliminary Certification prior to receiving the BETC (and subsequently to use the Pass-through Option). The application process is also used to estimate how much of the project cost will be eligible for the BETC. The final Pass-through amounts are determined at project completion once the final project costs are submitted to ODOE, and ODOE does on-site verifications for selected projects to confirm that the equipment was actually installed[2].

In the first few years of the program, project owners were required to find their own partner. Initially, partners were scarce and many tax-exempt organizations completed their energy projects but had no partner to complete the Pass-through transaction. In 2002 two large Oregon companies volunteered to be partners for multiple projects. Nike agreed to fund several public school energy projects, and Norm Thompson agreed to fund churches that installed efficient lighting. In 2003, ODOE expanded its administrative role and assigned staff to proactively facilitate the matching of project owners with business partners (project owners are still ultimately responsible for finding their own partner, and priority is given to first-time participants). Some private companies also help project owners to find Pass-through partners for a fee, and while their involvement has been limited to date, they could play a growing role in the future.

Analysis Methods

Interviews were initially conducted with program staff to develop the program theory and identify important issues to address in the analysis. Following are some of the key research issues that were identified:

1. How do project owners and partners become aware of the Pass-through Option? Does the availability of the Pass-through Option change the nature of the project?
2. What characteristics of the program drive the decision for project owners and partners to participate? What specific benefits do they value most? What are the major barriers for Pass-through partners? What has kept some Pass-through partners from continuing to participate?
3. Do project owners view the application and certification process as being too time consuming? How easily can they find Pass-through partners? How can the system be improved?
4. Is the Pass-through fee set at the correct level for project owners and Pass-through partners?
5. Are there certain types of projects that tend to be more common as Pass-through Options? Do current Pass-through partners have common characteristics? If so, can the program be promoted to other businesses with these same characteristics to increase the number of available partners?
6. How large is the "for fee" component of the market, where private firms guarantee project owners a partner match? Should a "tool kit" be created to assist firms in offering this service? Should ODOE mandate a fee structure for these services?

[2] Projects costing less than $50,000 can submit paid invoices, and more expensive projects must include a verification letter from a CPA.

7. What program changes are warranted to ensure the long-term success of the program?

To address these issues, program requirements, processes, outcomes and external influences were analyzed in a variety of ways. Program tracking data provided by ODOE (through May 2006) was reviewed to document major project owner industries, implemented project types, project certification rates, energy savings and production achievements, and partnering trends.

The second major component of the analysis was a phone survey of project owners to learn directly about their experience participating in the program. The purpose of the survey was to learn about respondents' reasons for utilizing the Pass-through Option, any difficulties they may have experienced, what decisions they would have made in the absence of the program, and their perceptions of the partner-matching process. Phone interviews were conducted with 272 project owners that had successfully found partners, out of a sample of approximately 600 unique valid phone numbers.

Lastly, in-depth phone interviews were conducted with major project owners or their representatives, major Pass-through partners (currently active or past participants), and third-party intermediaries that match project owners with partners (e.g., CPA's, tax advisors). The interviewees were selected based on their history of significant participation in the program, and/or were recommended by ODOE staff. All interviews focused on program process and administration issues and were designed to elicit suggestions for improving the current program.

Program Participation and Achievements

Table 1 shows the number of projects that were pre-certified by the program from 2001 to 2006, and the share that went on to receive a final certification (i.e., actually receive tax credits). During this period, the number of pre-certified projects increased significantly from less than 50 to over 1,000 and annual project costs increased from less than $4 million to almost $200 million in 2006. Furthermore, the percent of projects that attained a final certification has remained at about 90 percent. In 2005, however, the final certification rate dropped to 58 percent. According to ODOE staff, there is no processing backlog at the agency, and the low certification rate for that year was likely due to project owners forgetting about their projects or to submit their final paperwork, problems that may also have been exacerbated by staff turnover at project owner organizations.

Table 1: Number of Projects, Project Costs and Final Certification Rate (2001-2006)

Year	Pre-Certified Project Costs (n=2,397)	Number of Pre-Certified Projects	% With Final Certification
2001	$3,714,845	23	100%
2002	$31,462,896	116	91%
2003	$39,350,350	257	90%
2004	$125,679,489	684	81%
2005	$138,500,000	1,008	58%
2006	$191,600,000	867	89%

Source: Oregon Department of Energy program data

Table 2 shows the major industries participating in the program. The top two industries, accounting for 65 percent of all projects, are the services industry (39 percent) and the finance, insurance and real estate sector (FIRE, 26 percent). An analysis of more detailed industry classifications (not shown) shows that educational service providers (schools) completed 67 percent of the service industry projects, while real estate interests completed 98 percent of the FIRE projects. Other common participating industries include wood and paper product firms, transit agencies, trucking companies, food stores, eating and drinking places, and automotive dealers.

Table 2: Major Participating Industries

Industry (n=2,397)	% of Projects
Services	39%
Finance, Insurance and Real Estate	26%
Public Administration	10%
Manufacturing	8%
Transportation, Communications, Electric, Gas and Sanitary Services	8%
Wholesale and Retail Trade	5%
Agriculture, Forestry, and Fishing	2%
Mining and Construction	1%
Other	1%

Source: Oregon Department of Energy program data

Among project owners and their representatives, there is a great diversity of participation and experience levels. Some project owners represent a single business or organization only one time (e.g., for an on-site biomass project), whereas other owners participate with a variety of parties multiple times (e.g., multiple schools or school districts, or multiple housing properties). Other active project owners only complete (multiple) projects for a single business, organization or public agency. Project owners that completed only one Pass-through project accounted for 38 percent of certified projects, while owners that completed more than five projects accounted for 32 percent of projects. Other owners have participated on over 20 projects.

Table 3 shows the most prevalent types of projects that were pre-certified by the program and their share of the total number of projects and project costs (investment). Ninety-two percent were either conservation projects (74 percent) or transportation projects (18 percent). Of the conservation projects, lighting and weatherization measures were by far the most common, accounting for almost 1,400 projects. None of the other eligible project types (e.g., solar, recycling) has a share greater than 5 percent. Based on project investment, however, conservation's share is only 32 percent, as the average conservation project cost is about $75,000. In comparison, biomass, co-generation and wind energy projects have an average cost of $4 to $6 million, and collectively account for 29 percent of all investment, even though relatively few of these projects have been completed.

Table 3: Major Project Types

Type of Project	% of Projects Pre-Certified (n=2,397)	% of Project Costs (n=2,397)
Conservation	74%	32%
Transportation	18%	19%
Solar	3%	1%
Sustainable Building	2%	4%
Recycling	1%	4%
Biomass	1%	13%
R&D	1%	6%
Geothermal	<1%	<1%
Co-Generation	<1%	10%
Wind	<1%	6%
Waste and Heat Recovery	<1%	2%
Hydro	<1%	<1%

Source: Oregon Department of Energy program data

From 2001 to 2006 over 4,300,000 MMBtus were saved by all certified projects[3]. Transportation projects achieved the most energy savings with a total savings of 2,830,000 MMBtus followed by conservation projects with 1,484,300 MMBtus saved. In addition, almost 435,000 MMBtus have been produced by renewable energy prjoects. Wind energy projects produced over 90 percent of all renewable energy with 410,000 MMBtus, followed by biomass projects with 23,800 MMBtus produced, and solar projects with 900 MMBtus produced.

Table 4 shows the share of projects that have found partners by final certified project cost. Out of 1,553 total certified projects, roughly half had certified costs between $1 and $20,000. At the other end of the spectrum, 23 projects cost over $1 million. Across the four cost categories that were analyzed, the share of projects that found partners ranges from 91 to 97 percent, showing that project cost (i.e., credits available for sale) has not affected the ability to find a partner.

Table 4: Final Project Cost and Share of Projects With Partners

Final Project Cost	Number of Certified Projects (n=1,553)	% That Found Partner
$1 to $20,000	810	97%
$20,000 to $100,000	453	92%
$100,000 to $1,000,000	267	94%
Over $1,000,000	23	91%

Source: Oregon Department of Energy program data

Since the Pass-through Option started, 15 "major" partners have been involved with 63 percent of the 1,473 projects that had found partners. These major partners, some of who are no longer active in the program (e.g., Nike, US Bank), are primarily comprised of banks, retail and wholesale businesses, and private individuals who purchase credits through their CPA or tax attorney.

Project Owner Survey Results

Awareness and Participation Decision

Table 5 shows how respondents first became aware of the BETC Pass-through Option. Roughly half received a recommendation from another businesses, or an energy efficiency contractor. The Energy Trust of Oregon (ETO) also promotes the program heavily through a variety of channels, and it is likely that promotions initiated by ETO are perceived as coming from their vendors, trade allies and contractors. The most frequent information sources in the "other" category were "government", the BETC website, the mail, and business or trade conferences.

Going forward, project owners think that a variety of channels should be used to promote the program. Twenty-one percent of responding organizations felt the best way to promote the BETC Pass-through Option is through mailings, and 13 percent felt that in-person presentations would be most effective. In particular, direct contact should be made with: energy efficiency contractors, state and local transit associations, rental housing owner associations, school district administrators, the state Association of School Business Officials, and local community development organizations.

[3] Energy savings are estimated by the project owner and verified or re-calculated by ODOE.

Table 5: Source of Initial Program Awareness

Source of Awareness	% of Respondents (n=254)
Recommendation by other business	30%
Energy efficiency contractor	23%
Oregon DOE Presentation	15%
PGE/ Electric company/ Utility	6%
Energy Trust of Oregon	6%
Word-of-mouth	5%
Other	17%

Q1: How did you first become aware of the BETC Pass-through Option?

Project owners were asked if they had any concerns prior to participating in the program. Twenty-four percent said they had initial concerns, and the most common concern related to potential difficulties finding a Pass-through partner (48 percent). Other concerns that were mentioned (by few respondents) were unfamiliarity with the program, the legality of the program, and prohibitive processing costs or paperwork. All of these respondents also said that their concerns were resolved, with 53 percent saying that the problem never materialized, and 47 percent giving other reasons (e.g., they were able to find a partner, ODOE staff helped them to complete paper work and find a partner).

When asked if there was any information they would have liked to have prior to their participation decision, 87 percent of respondents stated that no other information was needed. Of the 35 respondents that wanted additional information, the most common requests were for information on potential Pass-through partners (40 percent), program requirements (20 percent), energy efficiency options (11 percent), expected timeline (9 percent) and on the application process (6 percent).

Participation Drivers/Barriers

Table 6 lists the primary perceived benefits of the program (multiple responses were allowed), and shows that energy efficiency/cost considerations and direct financial benefits have roughly equal importance as program participation drivers. Among the 263 respondents, 39 percent stated that energy savings are the primary benefit they received from the program. Eighteen percent particularly benefited from upfront cash payments, while 16 percent found the rate of return on investment to be valuable. In a separate question, 25 percent reported that finding a Pass-through partner is the largest participation barrier, and 15 percent indicated that excessive paperwork is the largest barrier.

Table 6: Primary Benefits of BETC Pass-through Option

Benefit	% of Respondents (n=263)
Energy Savings	39%
Upfront payment instead of later	18%
Rate of return on investment	16%
Able to get financial incentive even if no tax liability	14%
Cost savings	9%
Tax benefits	8%
Better lighting/improved equipment	5%
Other	12%

Q8: What are the primary benefits of the BETC Pass-through Option for your firm?

Project Type and BETC Influence

Table 7 shows that if the BETC Pass-through Option was not available, 51 percent of the project owners would have bought no equipment, 26 percent would have bought standard efficiency equipment, and 24 percent would have bought the same energy efficient equipment they use now. For respondents that would have bought the same equipment, 64 percent said that they would have replaced the equipment at the same time, 14 percent said they would have replaced the equipment within a year, and 21 percent said they would have waited more than one year to replace existing equipment.

Table 7: Alternative Action if BETC Pass-through was Unavailable

Alternative Action	% of Respondents (n=187)
We would have bought NO equipment	51%
We would have bought standard efficiency equipment	26%
We would have bought the SAME energy efficient equipment	24%

Q18: Which of the following three statements best describes the actions you would have taken if the BETC Pass-through option had not been available?

When asked if their energy efficiency project changed after they became aware of the BETC Pass-through option, 69 percent of respondents reported their project did not change and 31 percent reported that their project did change. Among owners that changed their projects, 35 percent made their projects larger than originally planned, 28 percent added more energy efficient equipment, and 25 percent chose to install more efficient or higher quality equipment.

Respondents were also asked if they had received any rebates or assistance from other energy efficiency agencies or organizations for their project. Fifty-nine percent indicated that they received either rebates or assistance from other parties for their project, and most of these respondents received assistance/rebates through the Energy Trust of Oregon (a public agency charged with investing public purpose charges in cost-effective energy conservation and renewable energy development). In a follow up question, respondents were asked to rate the relative importance of these funding sources compared to the BETC. About half of the respondents thought that other funding sources were as important to their investment decision as the BETC. Nineteen percent stated that these other funds were more important than the BETC, and 23 percent stated that these funds were less important than the BETC.

Pass-through Option Partnering Process

Table 8 shows that half of the respondents found their partner through the Oregon Department of Energy. Among those that said another party found their partner for them, about half also received assistance from ODOE. When asked to identify the specific company or individual that assisted them, many respondents reported that they were helped by a local electric or lighting company, their local school district, or their local bank. Only 8 percent of the respondents indicated that they had paid a fee to find a pass-through partner.

The average time to find a partner was just under 2 months. In a follow up question, respondents were asked whether the length of time it took to find a Pass-through partner ever caused them to consider not going through with their energy efficiency project. Of the 267 respondents, 94 percent indicated that the length of time to find a partner was not a cause of concern.

Table 8: Source of Pass-through Partner

Source	% of Respondents (n=250)
Oregon Department of Energy	52%
Word-of-mouth	12%
Private company	8%
Other organization	7%
Contractor/vendor	6%
Bank	4%
Consultant or accountant	3%
Other	10%

Q24: How did you find your Pass-through Partner?

Program Process/Requirements

Interaction with program staff is extensive and often needed to complete projects. Over half of the respondents indicated that they had called the department's help line, 24 percent had met with program staff about a specific project, and 11 percent had other telephone or email assistance.

Respondents were asked to rate their satisfaction with various elements of the BETC program on a scale from 1 to 10, with 1 being "Very Dissatisfied" and 10 being "Very satisfied". Table 9 shows the average rating for each element of the program. Elements that participants were most satisfied with are the BETC Pass-through payment amounts (8.69), the partner matching process (8.59), and staff phone assistance (8.55). The lowest ratings were given for the application process (7.97) and the program website (7.86).

Table 9: Average Satisfaction Level of Various Program Elements

Program Aspect	Average Rating (n=265)
BETC Pass-through payment amounts	8.69
Matching with Pass-through partner	8.59
Phone assistance	8.55
Information provided on eligibility requirements	8.18
Project review process	8.14
Time taken to receive payment	8.14
Application process	7.97
Website	7.86

Q35: How satisfied were you with… ?

In a follow up question, respondents were asked how the BETC Pass-through process could be improved. About half of the respondents indicated that no improvements were necessary. Among the respondents that recommend improvements, 38 percent thought that additional assistance is needed to find partners. Another 16 percent would like the process explained better, and 13 percent would like the process simplified.

Respondents were also asked to identify the most important types of program assistance provided by the department (multiple answers were allowed). Table 10 shows that 24 percent of the respondents indicated that partner matching is an important form of program assistance, while 23 percent said that phone assistance played a critical role. Another 18 percent stated that the website was valuable, while 18 percent also said that the BETC Pass-through payment was critical.

Table 10: Most Valued Types of Program Assistance

Other Assistance	% of Respondents (n=108)
Matching with Pass-through Partner	24%
Phone assistance	23%
Website	18%
BETC Pass-through payment	18%
Information provided on eligibility requirements	17%
Presentations on Pass-through Option	10%
Application process	4%
Technical	2%
Other	21%

Q36: Other than the BETC, what types of program assistance provided by the Oregon Department of Energy do you think are the most critical for the Pass-through Option?

Ninety-three percent of respondents said that they plan to use the BETC Pass-through Option in the future. Among the few that said they do not plan on using the option in the future, most indicated this was because they had no need for additional energy efficiency projects.

In-Depth Interview Results

Following are some of the key themes and specific comments that were elicited from program participants with significant experience and knowledge of the program (none of the interviewees had completed renewable energy projects, who are typically not repeat participants):

Participation Process

Primary BETC benefits. Most respondents participate mainly for financial reasons - to recoup project costs, to reduce their taxes, or to earn income/serve their clients (CPA's). Secondarily, business partners also seek positive public relations and some restrict their assistance to local community project owners.

Communications/participant recruitment. ODOE is doing a good job of publicizing the program to a wide range of potential participants. The CPAs perceived that their peers are very aware of the program, and that CPAs have successfully recruited many private individuals as partners. In addition:

- Most schools are aware of the program, as ODOE usually has a booth at an annual conference of facility managers. Not all districts have dedicated facility managers, however, and ODOE should aggressively contact other school business and procurements staff. School superintendents and finance staff need to be educated and "sold up-front" before other staff start installing measures. In addition, high staff turnover limits participation and requires that any education and outreach efforts be repeated regularly for new staff.
- Impersonal mail flyers or emails are not likely to attract corporate business partners. What has worked and is still needed are personal meetings with ODOE program staff. Personal meetings with bank CFOs are a good strategy and have been effective.

Project Influence

Initial project motivations. Primary reasons for (considering) installing measures included: equipment failure, equipment upgrades (e.g., better lighting controls) to complement remodels, code compliance, and risk management.

Project feasibility/changes. The BETC is one of several factors that determine whether or not a project is feasible. All of the project owners had also used or considered incentives offered through other energy

organizations or their local utility. Most project owners would have installed the same technology in the absence of the BETC, although they would have reduced the quantity of measures.

BETC-compatible technologies. Some project owners noted that they purposely try to limit their projects to technologies for which energy savings are easy to calculate (e.g., lighting, weatherization, windows) and avoid projects that would require complex load calculations or engineering assistance.

Participation Drivers/Barriers

Preferred projects or owners. While some partners historically preferred to fund certain types of projects, most partners today do not care strongly where their credits come from. Increasingly partners are wealthy private individuals seeking good rates of return (from 2004 to 2006 the percent of partners that were private individuals increased from 25 to 35 percent).

Project owner barriers. Factors that would reduce project owner participation in the future include: increased reliance on brokers to find partners (i.e., fees), increased need for engineering consultant assistance, high need for CPA involvement for certifications, and declining complementary funds (school bonds, public purpose charges).

Tax questions. Lingering questions about income realization add uncertainty and deter participation.

- Some for-profit project owners do not know if partner payments are taxable income, or if project costs should be reduced by the amount of the fee (there has been no public ruling).
- Some partners are not sure if they have a capital gain because they bought the credit at a discount, and tax advisors are giving different advice regarding this issue.

Claims schedule. Some noted that the "5-year wait" is too long and that it is hard to predict one's tax situation past 2 years. Some potential investors have been "scared off" as the legislature has considered stopping tax credit programs to fill budget gaps in the past (leaving investors with unused credits).

Program Process/Requirements

Interactions with ODOE. ODOE staff are very knowledgeable, helpful, professional, and timely in their assistance. Staff is very accommodating by attending project owner meetings and making presentations as needed, and adjusting to unique project owner schedules. In the past, ODOE has expanded the list of eligible projects after consulting with them and others, and is open-minded in this regard. ODOE's partner-matching assistance is valued very highly.

Process complexity. Partners noted that once they understand the financial benefits to them (usually calculated by finance staff), it is easy to participate in the program, as ODOE sends them lists of available credits and they "just write checks." Partner companies also said that the accounting and paperwork has to be kept relatively simple, or their finance staff will resist the program. Project owners, however, find the process to be more cumbersome, and the most commonly recommended program changes pertained to streamlining or simplification:

- The program is confusing to learn at first, and the website and print materials need more clear explanations. It is not initially clear how some of the program percents apply (e.g., 25.5 percent of what amount?). The website and communications materials should show a simple Pass-through example with percents applied and dollar values calculated.
- The application, approvals, and fund-transfer process might be more clearly presented with a flow chart.
- Prospective project owners would value a simple on-line payback calculator.
- There are too many types of applications, and it is hard to document multiple measures spread across large/multiple real estate developments.
- The energy analysis is probably too difficult for many prospective project owners, and allowing owners to apply deemed savings values would be helpful.

- Most schools want to do "quick and easy" light retrofits and would benefit from "pre-canned" installation contracts and BETC applications they can simply sign. Most schools lack funding and staff experience to evaluate energy efficiency or direct engineers, so ODOE should develop and promote turnkey projects for schools.

Out of state participants. Multifamily housing property owners often live outside of Oregon and are far removed from their energy projects (usually installed by a building manager) and the BETC program. These project owners require significant processing assistance from program staff and/or third-party intermediaries and will likely require personal assistance in the future.

Project tracking. Project owners that have submitted many projects suggested that ODOE provide additional assistance to track project applications and status. These tools could include spreadsheets or database reports (with certification status, eligible costs, outstanding issues) that are updated and distributed periodically to project owners, or other correspondence/reminders from ODOE.

Partner matching. ODOE could be open to criticisms of unfairness when staff selectively informs partners or project owners of potential matches. ODOE might want to develop a more formal or impersonal clearinghouse mechanism, perhaps administered by an outside third party.

Paper reduction. The program website should be used to:

- Submit applications on-line
- Login and view applications and their status (it is easy to get applications mixed up or lost)
- See lists of available projects/credits and active partners
- Complete on-line transactions

Summary and Recommendations

Following are some of the key conclusions that can be drawn from the data sources and analysis presented in this paper:

- **Program participation has grown robustly over time.** This is due to four factors: 1) ODOE has successfully used a variety to tools to reach a broad audience of project owners and partners, 2) Project owners and partners perceive and highly value the energy savings and financial benefits promoted through the program, 3) Over time, ODOE staff have provided changing and appropriate levels of direct assistance as demanded by program participants, 4) Owing to their positive program experience, project owners and Pass-through partners often become repeat participants as their energy and tax situations allow them.
- **BETCs have had an important role in promoting energy efficiency investments, and are particularly valuable when coordinated with other available incentives.**
- **It is administratively easy for partners to secure credits.** In many cases ODOE staff send them or their accountant a list of eligible credits and partners "just write the checks".
- **It is more difficult for project owners to understand and navigate the program.** Some project owners have difficulty understanding the program process (what gets submitted, in what order) and keeping track of their applications. Project owners would also like to reduce the amount of paper they must file and store.
- **The amount that partners are charged for credits has generally balanced the supply and demand for Pass-through credits, and both project owners and partners are satisfied with their financial returns.** The amount of the Pass-through payment received the highest satisfaction score in the survey of project owners (8.7 out of 10). At the same time, partners that were interviewed said that they were earning a 13 to 18 percent return by using the Pass-through Option, which is a very good return.
- **Few project owners are using private "for fee" partner-matching firms.** This is in large part because ODOE continues to play a very active role in helping project owners find partners.

Based on these and other findings, the following recommendations for improving the program were developed:

- **The program website and other communication materials should be enhanced to explain the program process and benefits more clearly.** Elements that could be added include: a process flowchart/graphic or animated video that clearly illustrates the sequential participation steps taken by project owners, partners and ODOE, and simplified Pass-through examples that apply Pass-through rates, calculate dollar values, and show rates of return.
- **Tax treatment clarifications (e.g., capital gains treatment) should be added to the program website as rulings are made in consultation with the Department of Revenue.** This will further allow clear and consistent information to be provided to potential participants and tax advisors.
- **Continue to allow private individuals to be project partners and buy tax credits.** Private individuals (and their representatives) have become an important and growing segment of the partner market. One potential way to recruit more individuals is to encourage community banks, credit unions, and savings and loans to market Pass-throughs as another financial product that individuals (and businesses) can purchase through them. This strategy could also be combined with a credit resale market (discussed subsequently) so that banks could make initial bulk credit purchases and implement proprietary and simplified purchasing schemes administered by them.
- **Work closely with economic development agencies that recruit new companies.** Business partners interviewed for this project indicate that personal calls and presentations to key corporate tax staff are more effective than generic mailed information.
- **Add database tools to facilitate project tracking by project owners.** This system could also generate automatic reminders to encourage project owners to finish all steps in the application process, including submitting the final paperwork and adding their tax credits to the available pool.
- **Develop an automated system for matching projects with partners.** Some transactions could be completed with minimal intervention if credit seller/buyer information was readily available, and automation could free up staff time for program promotion, recruitment and answering technical questions. For instance, the program could provide separate on-line lists of available credits and partners actively seeking credits, and have participants contact each other to complete transactions.
- **Allow resale of Pass-through Option credits.** This would help reduce the perceived risk of the program, as partners could always sell unused tax credits if needed or if tax liabilities change unexpectedly. In addition, this would make it possible for other organizations that are much more "visible" to potential credit buyers to expand the program market.
- **Allow partners to bid for credits.** This would allow the prices that partners pay to dynamically reflect the market value of the credits. If there was a surplus of partners, prices for credits would increase, which might also motivate more project owners to attain their final certifications more quickly. ODOE could help to package credits for auction if needed. Many private firms (investment brokers, housing tax credit syndicators,) could also assume the partner-matching function of the program, and could implement auction, first-come first-serve, or other matching schemes.

Sources

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