



July 21, 2020

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
1236 Longworth H.O.B.
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
2468 Rayburn House Office Building
Washington, DC 20515

The Honorable Chuck Schumer
Minority Leader
United States Senate
322 Hart Senate Office Building
Washington, D.C. 20510

Dear Speaker Pelosi, Majority Leader McConnell, Minority Leader McCarthy, and Minority Leader Schumer,

I write to you on behalf of the United States Climate Alliance (Alliance), a bipartisan coalition of 25 governors committed to advancing climate action. Together, Alliance states represent over half the U.S. population, 40 percent of U.S. greenhouse gas emissions and 60 percent of U.S. GDP - an \$11.7 trillion economy.

The Alliance commends your leadership in addressing the COVID-19 emergency and relief efforts. Your continued focus on immediate relief is necessary to ensure states can continue to provide critical services. COVID-19 has caused a public health crisis, unprecedented job losses, and a national recession that requires further bold action to provide relief and achieve a resilient and equitable recovery. To ensure essential state services are uninterrupted and states can begin the recovery process, the Alliance recommends Congress direct:

- at least \$500 billion in immediate, flexible federal aid for states and territories, in addition to separate aid for local government;
- additional flexible funding to modernize, decarbonize, and enhance the resilience of our nation's infrastructure; and
- incentives to mobilize private investment and create public-private partnerships.

\$500 Billion in Flexible Federal Aid for States and Territories

States face immediate and lasting revenue losses due to the COVID-19 emergency that threaten their strong fiscal foundations. Therefore, the Alliance supports the National Governors Association's bipartisan request for at least \$500 billion in immediate, flexible federal aid for states and territories – in addition to separate aid for local governments– to enable governors to preserve core government services like public health, safety, and education. These funds would also get communities back to work and help our states come out of this crisis stronger and more resilient.

Additional Flexible Funding to Revitalize the Nation's Infrastructure

The country has a historic opportunity to stimulate the economy and sustain economic growth through major infrastructure investments, private sector mobilization, and the creation of family-sustaining jobs. The Alliance recommends the investments below (see Annex) to put the nation on the path to economic recovery, reduce greenhouse gases, improve public health through cleaner air, and build more resilient communities and economies.

Increasing flexible funding, particularly through existing programs, will help states modernize, decarbonize, and enhance the resilience of our nation's infrastructure by strengthening our power grid, expanding nature-based solutions, and reducing the energy use of our buildings. These infrastructure investments will, in turn, create job and workforce training opportunities for residents returning to work while putting money back in the pockets of families across the country. They will also reduce harmful air pollution that exacerbates cardiovascular and respiratory diseases – actions that are more critical than ever given COVID-19. An indicative list of programs the Alliance supports is annexed to this letter.

It is critical that investments balance the need to provide immediate funds to jumpstart economic revitalization and sustained support for long-term recovery and growth. Secondly, waiving the requirement for states to match stimulus funding in any 2020 and 2021 capitalization grants is critical given current state budget constraints. Finally, any new programs and funding should be provided in the form of block grants to allow for needed flexibility.

Leveraging Public Funding to Mobilize Private Capital

Congress should use public funding and incentives to mobilize private investment and create public-private partnerships. In addition to providing federal funds to regional, state, and local government authorities through an independent, non-profit, National Green Bank, we support tax credits and bonding tools that allow businesses and residents to invest in the transition to a decarbonized and resilient economy. An indicative list of tools the Alliance supports is annexed to this letter.

Workforce and economic development strategies should be tied to the investments in any stimulus package. This funding should support family-sustaining jobs with fair wages and strong labor standards, as well as training pathways into these jobs. Small business resilience, worker training, recruitment and retention, and alignment with or support for formulating local economic development and diversification strategies are critical. Congress should also prioritize

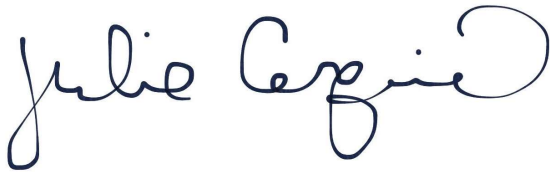
investments in vulnerable communities that are disproportionately burdened by environmental, health, and economic crises.

In addition, the Alliance supports accountability through responsible oversight and evaluation of all federal funds allocated to and invested by states. Monitoring will help assess the performance of stimulus investments in advancing economic recovery and job creation in an effective, efficient, and equitable manner. Alliance states would welcome a dialogue with Congress on possible metrics to estimate and track at the outset and throughout the project life cycle.

The current crisis demands a comprehensive, strategic, and equitable response. By preserving core state and local government services, modernizing our nation's critical infrastructure, mobilizing private investment, and creating family-sustaining jobs, the Alliance states and Congress can both mitigate the threat of COVID-19, and address the ever-growing climate crisis.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Julie Cerqueira". The signature is fluid and cursive, with the first name "Julie" and last name "Cerqueira" clearly legible.

Julie Cerqueira
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U.S. Climate Alliance

California | Colorado | Connecticut | Delaware | Hawaii | Illinois | Maine | Maryland | Massachusetts | Michigan | Minnesota | Montana | Nevada | New Jersey | New Mexico | New York | North Carolina | Oregon | Pennsylvania | Puerto Rico | Rhode Island | Vermont | Virginia | Washington | Wisconsin

Annex

Alliance states support the following programs and tools to revitalize our infrastructure and mobilize private investment. This list is indicative only.

Programs that Enable Flexible Funding to Revitalize the Nation's Infrastructure

- Increasing funding for current programs such as the State Energy Program, Weatherization Assistance Program, Federal Transit Administration's Low and No Emission Bus Program and Diesel Emission Reduction Act, and DOE's Clean Cities to enable investment in clean energy, low-carbon transportation, and building efficiency.
- Reinstating and funding the Energy Efficiency Conservation Block Grant program to enhance states' ability to lower energy bills for residents and businesses alike.
- Increasing funds and decreasing cost share requirements as applicable for programs such as FEMA's Building Resilient Infrastructure and Communities (BRIC) and Hazard Mitigation Grant Program, Clean Water and Drinking Water State Revolving Funds (SRFs) and EPA's geographic programs to support projects that build resiliency, restore environmental quality, and can address both COVID-19 and climate impacts.
- Providing block grants to states to invest in nature-based solutions¹ designed to reduce physical risk from extreme events while maximizing carbon removal and storage potential.
- Providing grant funding for broadband expansion to programs such as USDA's Reconnect Program to help rural and low- and moderate-income (LMI) residents and businesses stay connected, reducing energy use and costs, reducing travel and transportation-related emissions, and increasing access to jobs, government services, and education and training.

Tax and Bonding Tools to Mobilize Private Investment

- **Power:** A program to provide a choice between the existing Business Energy Investment Tax Credit (ITC), or direct cash payments in lieu of the ITC, for all Section 48 and 25D qualified solar energy projects for the length of the ITC period, and extending the "Start of Construction" and "Placed in Service" deadlines by 5 years for the Section 48 ITC and Renewable Electricity Production Tax Credits. Broadening the ITC to include battery storage (both in paired and standalone configurations) and manufacturing of equipment. Extending the Section 45Q tax credit for carbon capture and storage by 5 years.
- **Vehicles and Fuels:** Extending the Section 30D Plug-In Electric Vehicle (EVs) Credit for another 10 years and eliminating the manufacturer cap. Extending the Alternative Fuel Infrastructure Tax Credit.
- **Residential Upgrades:** Broadening and expanding the Section 25D Residential Renewable Energy Tax Credit to include resiliency measures and increasing both the cap and length of

¹ Nature-based solutions include regenerative agriculture, riparian buffers, urban greening, and the restoration of streambanks, wetlands, dunes, and native forests.

time for investment. Reinstating the Residential Energy Efficiency Tax Credit and increasing the caps, including for installation costs and windows. Expanding the Low-Income Housing Tax Credit to encourage green development of affordable housing.

- **Manufacturing:** Expanding Section 48C Advanced Manufacturing Tax Credit to build U.S. manufacturing capacity.
- **Agriculture:** Expanding federal research and development tax credits to support regenerative agriculture and healthy soil practices.
- **Energy and Resiliency Bond Subsidies:** Providing energy and resiliency infrastructure bonds to fund capital expenditures on qualified renewable energy facilities, energy conservation projects, or resiliency projects. This can be modeled after the Qualified Energy Conservation Bonds and the Clean Renewable Energy Bonds removed under the Tax Cuts and Jobs Act (TCJA). Reinstating Advance Refunding Bonds, an essential financing tool used by state and county governments to fund critical infrastructure projects.²

² The bonds also save taxpayer dollars by allowing governments to refinance tax-exempt bonds at lower interest rates. From 2012-2017, taxpayers saved \$14 billion through the bonds before they were eliminated in the TCJA.