

§ 420.18

10 CFR Ch. II (1-1-01 Edition)

services; and the ability of the recipient to pay for the services.

[61 FR 35895, July 8, 1996, as amended at 62 FR 26727, May 14, 1997; 64 FR 46114, Aug. 24, 1999]

§ 420.18 Expenditure prohibitions and limitations.

(a) No financial assistance provided to a State under this subpart shall be used:

(1) For construction, such as construction of mass transit systems and exclusive bus lanes, or for construction or repair of buildings or structures;

(2) To purchase land, a building or structure or any interest therein;

(3) To subsidize fares for public transportation;

(4) To subsidize utility rate demonstrations or State tax credits for energy conservation measures or renewable energy measures; or

(5) To conduct, or purchase equipment to conduct, research, development or demonstration of energy efficiency or renewable energy techniques and technologies not commercially available.

(b) No more than 20 percent of the financial assistance awarded to the State for this program shall be used to purchase office supplies, library materials, or other equipment whose purchase is not otherwise prohibited by this section. Nothing in this paragraph shall be read to apply this 20 percent limitation to petroleum violation escrow funds used under this subpart.

(c) Demonstrations of commercially available energy efficiency or renewable energy techniques and technologies are permitted, and are not subject to the prohibitions of § 420.18(a)(1), or to the limitation on equipment purchases of § 420.18(b).

(d) A State may use regular or revolving loan mechanisms to fund SEP services which are consistent with this subpart and which are included in the State's approved SEP plan. The State may use loan repayments and any interest on the loan funds only for activities which are consistent with this subpart and which are included in the State's approved SEP plan.

(e) A State may use funds under this subpart for the purchase and installation of equipment and materials for en-

ergy efficiency measures and renewable energy measures, including reasonable design costs, subject to the following terms and conditions:

(1) Such use must be included in the State's approved plan and, if funded by petroleum violation escrow funds, must be consistent with any judicial or administrative terms and conditions imposed upon State use of such funds;

(2) A State may use for these purposes no more than 50 percent of all funds allocated by the State to SEP in a given year, regardless of source, except that this limitation shall not include regular and revolving loan programs funded with petroleum violation escrow funds, and is subject to waiver by DOE for good cause. Loan documents shall ensure repayment of principal and interest within a reasonable period of time, and shall not include provisions of loan forgiveness.

(3) Buildings owned or leased by the United States are not eligible for energy efficiency measures or renewable energy measures under paragraph (e) of this section;

(4) Funds must be used to supplement and no funds may be used to supplant weatherization activities under the Weatherization Assistance Program for Low-Income Persons, under 10 CFR part 440;

(5) Subject to paragraph (f) of this section, a State may use a variety of financial incentives to fund purchases and installation of materials and equipment under paragraph (e) of this section including, but not limited to, regular loans, revolving loans, loan buy-downs, performance contracting, rebates and grants.

(f) The following mechanisms are not allowed for funding the purchase and installation of materials and equipment under paragraph (e) of this section:

(1) Rebates for more than 50 percent of the total cost of purchasing and installing materials and equipment (States shall set appropriate restrictions and limits to insure the most efficient use of rebates); and

(2) Loan guarantees.

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