



Committed to the future of rural communities

The 2008 Farm Bill and USDA Rural Development Funding

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**8th ANNUAL SOUTHERN BIOPRODUCTS AND
RENEWABLE ENERGY CONFERENCE**

May 20-21, 2009

Jackson Hilton Hotel and Conference Center

"STIMULATING MISSISSIPPI'S ECONOMY THROUGH RENEWABLE ENERGY"

Agenda

Food, Conservation, and Energy Act of 2008 (Farm Bill '08) and USDA Rural Development Funding

Section 9003 Biorefinery Assistance Program

Section 9004 Repowering Assistance

Section 9005 Bioenergy Program for Advanced Biofuels

Section 9007 Rural Energy for America Program

Role of USDA/RD State Energy Coordinators

Comparison of USDA Rural Development Programs



2008 Farm Bill Title IX and USDA Rural Development

Farm Bill Handout



- **Section 9003 Biorefinery Assistance Program –**
 - Provides **loan guarantees** for the development, construction and retrofitting of commercial-scale bio-refineries
 - Provides \$75 million in 2009 and \$245 million in 2010
 - Authorizes additional funding of \$150 million per year 2009-12 for demonstration and commercial scale biorefineries.
- **Section 9004 Repowering Assistance –**
 - Provides for **payments** to existing bio-refineries to replace fossil fuels used to produce heat or power to operate the bio-refineries with renewable biomass.
 - Notice of Solicitation of Applications (NOSA) to be published early June 2009
- **Section 9005 Bioenergy Program for Advanced Biofuels –**
 - Provides for **payments** to be made to eligible agricultural producers to support and ensure an expanding production of advanced bio-fuels
 - Notice of Contract Proposals (NOCP) to be published early June 2009



2009 Section 9003 Biorefinery Assistance – Summary details

Application Guidelines Handout

- 1 Approved
 - Range Fuels Inc., Soperton, Georgia for \$80 million, 1/16/09
- 17 applications received (5 in Round 1, 12 in Round 2)
 - 10 to be returned as Incomplete -- Lender issues!!
- \$320.2 million in requested loan guarantees under review
- Technologies:
 - Cellulosic ethanol (4)
 - Biodiesel (6)
 - Green diesel from pulpwood (paper mill)
 - Algae to biodiesel refinery
 - Anaerobic digesters (3)
 - Other (4)
 - Anhydrous ammonia



Section 9003 Biorefinery Assistance applications by amount requested

Requested Amount	Number of applications	Average	Total
< \$50M	8	\$ 18,312,500	\$ 146,500,000
\$50-\$100M	4	\$ 62,959,902	\$ 251,839,609
> \$100M	5	\$ 130,626,701	\$ 653,133,507
All	17	\$ 61,851,360	\$ 1,051,473,116



Section 9003 Biorefinery Assistance applications returned as incomplete, by round and total amount

	Amount requested	Application status
Round one	\$76,500,000	Incomplete - No Lender (3)
Round two	\$665,473,116	Incomplete - No Lender (7)
All	\$741,973,116	Incomplete - No Lender (10)



Section 9003 Biorefinery Assistance obligation and applications under review

Applications	State	Requested Amount	Status
Round One (12/31/2008)			
Range Fuels, Inc.	Georgia	\$80,000,000	Obligated
	Minnesota	\$25,000,000	Under Review
		\$105,000,000	
Round Two (4/30/2009)			
	Iowa	\$15,000,000	Under Review
	New Mexico	\$60,000,000	Under Review
	Massachusetts	\$5,000,000	Under Review
	Wisconsin	\$124,500,000	Under Review
	Michigan	\$10,675,000	Under Review
		\$215,175,000	



Section 9007 -- Rural Energy for America Program (REAP)

Successor to Section 9006 in 2002 Farm Bill

Provides for **grants and/or loan guarantees** for renewable energy systems and energy efficiency improvements for agricultural producers and rural small businesses.

Program demand for Section 9006 exceeded 3 times available funds

Funding increased to \$255 million over four years

Additional \$100 million authorized in 5-year discretionary spending

REAP mandatory funding nearly triples that of 9006

To \$63 million/year from \$23 million/year annual average basis



Section 9007 -- Rural Energy for America Program (REAP)

Mandatory funding

The limit on the maximum amount of the combined loan and grant is increased from 50 percent to 75 percent of the funded activity

The grant portion cannot exceed 25 percent of the cost of the activity

Mandatory funding for this program is:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$50 million
2010	\$60 million
2011	\$70 million
2012	\$70 million

An additional \$25 million/year is also authorized



Section 9007 -- Rural Energy for America Program (REAP)

Includes energy audit/technical assistance component

Grants allocated to state and regional entities:

State governments, universities, rural electric cooperatives, others

-- To help farmers and rural businesses become more energy efficient and effectively use renewable energy technologies

\$10.2 million over four years is reserved for energy technical assistance

(Authorized in 2002 Farm Bill but not funded)

Feasibilities funded for up to 25% match for study costs

No more than 10% of program funds can be awarded for feasibilities



Who is eligible?

Requirements for eligible applicants:

- Agricultural Producers and Small Rural Businesses
- If individuals, must be U.S. citizens or legal permanent residents of the U.S.
- If an entity, must be at least 51 percent owned by individuals who are either U.S. citizens or legal permanent residents of the U.S.



What projects are eligible?

Requirements for eligible renewable energy or energy efficiency projects:

- Must be located in a rural area
- Must be for commercially available and replicable technology
- Must be technically feasible
- Must have sufficient revenues to provide for operation and maintenance

The applicant must be the owner and control the operation and maintenance of the proposed project.



What are Eligible Costs?

- Post application purchase and installation of equipment, **except agricultural tillage equipment and vehicles**
- Post application construction or project improvements, **except residential**
- Energy audits or assessments
- Permit fees
- Professional service fees, **except for application preparation**
- Feasibility studies
- Business plans
- Retrofitting
- Construction of a new facility – **same purpose, same size, provides more energy savings than improving an existing facility**



What costs are NOT eligible?

- **Residential improvements**
- **Energy efficiency improvements related to new construction**
- **Agricultural tillage equipment**
- **Vehicles**
- **Applicant in-kind contributions**



Grant limitations

Grants request must not exceed 25% of project costs

- Renewable Energy**
 - **Minimum grant request: \$2,500**
 - **Maximum grant request: \$500,000**

- Energy Efficiency**
 - **Minimum grant request: \$1,500**
 - **Maximum grant request: \$250,000**

Guaranteed Loan limitations

Guaranteed Loan request must not exceed 75% of project costs (*including grant funds, if applicable*)

– Renewable Energy:

- **Minimum request: \$5,000**
- **Maximum request: \$25,000,000**

– Energy Efficiency

- **Minimum request: \$5,000**
- **Maximum request: \$25,000,000**

Other application requirements

To qualify for funding, the application will also have to pass:

- Technical Review (USDA, DOE/NREL)**
- National Environmental Policy Act (NEPA) Review**



Technical review requirements

Different technology requirements for:

- Biomass, Bioenergy
- Anaerobic Digester
- Geothermal, electric generation
- Geothermal, direct use
- Hydrogen, from Renewable Energy Sources
- Solar, small (10 kW or smaller)
- Solar, large (larger than 10 kW)
- Wind, small (100 kW or smaller)
- Wind, large (larger than 100 kW)
- Hydrokinetic: hydro power, tidal, wave, current, thermal
- Energy Efficiency



Benefits to businesses

Benefits to businesses include:

- Higher loan amounts
- Stronger loan applications
- Lower interest rates
- Longer repayment term



Benefits to lenders

Lender benefits include:

- Expands lender's loan portfolio
- Allows lenders to make loans above loan limits
 - Protecting guaranteed portion of loan against loss by the Federal Government
 - Existing secondary market for REAP guarantees helps to satisfy Community Reinvestment Act (CRA) requirements
- Allows lenders to use their own forms, loan documents, and security instruments



Summary of Section 9006/7 grants/loan obligations, activity status, and total leveraged funds

	Number of Loans & Grants in Obligation Status	Total Amount in Obligation Status	Number of Loans & Grants in Closed or Active Status	Total Amount in Closed or Active Status	Total Leveraged Funds
Loan Only	2	\$20,000,000	2	\$132,000,000	\$105,643,292
Grant Only	388	\$16,716,934	1,111	\$71,951,942	\$471,106,239
Combos	80	\$32,993,691	238	\$22,818,743	\$100,564,930
All	470	\$69,710,625	1,351	\$226,770,685	\$677,314,461

Role of State Energy Coordinators

State Energy Coordinator Handout

- Point of contact for RD Title IX programs
- Administering 9007 Rural Energy for America Program (REAP)
 - Grants, Loans, G/L Combos
 - Energy Audit Grants
 - Energy Technical Assistance Grants
- Accepting, evaluating/eligibility, scoring/ranking, obligation, disbursement, follow-up



USDA Rural Development State Energy Coordinator

Mississippi

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Comparison of USDA Rural Development Programs

Handout

	DET B&I	REAP Loan	REAP Grant	Biorefinery Assistance	Community Facilities	Water & Waste Facilities
LOAN AMOUNTS						
Minimum	No minimum	\$5,000	\$2,500 (system) \$1,500 (efficiency)	There is no minimum amount	No minimum	No minimum
Maximum	Maximum \$25 million and up to \$40 million on rural cooperative organizations that process value-added agricultural commodities.	\$25 million on 75% of total eligible project costs, whichever is less. (75% includes grant dollars received under REAP Combination Program)	\$500,000 (system) \$250,000 (efficiency) Or 25 percent of eligible project cost, whichever is less	The maximum principal amount of a loan guarantee under this Program is \$250 million.	No maximum	No maximum



Thank you!

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