



# 2023 Farm Bill Legislative Side-By-Side

## RURAL ENERGY SAVINGS PROGRAM (RESP)

### Program Description

The [Rural Energy Savings Program](#) (RESP) provides loans to entities that provide energy efficiency services in rural areas and agree to make affordable loans to help consumers implement cost-effective energy efficiency measures.

### Climate Highlights

RESP, which Congress first authorized in the 2014 Farm Bill, provides zero-interest loans to electric cooperatives, state financing entities, green banks, and others to establish or expand residential and small business energy efficiency improvement programs. These programs offer rural households and small businesses low-cost financing for cost-effective energy efficiency, renewable energy, and electrification improvements. These improvements are made at no upfront cost and repaid over time via a utility bill line-item.

The benefits of RESP are wide-ranging. Many families and small businesses that ultimately receive the funds immediately enjoy lower energy bills from insulation, air sealing, and new heating and cooling equipment. Some RESP-funded programs also finance distributed renewable energy generation, energy storage, electric vehicle supply equipment, irrigation improvements, and more—provided that improvements can be shown to be cost-effective to the end user. These investments all have the added benefits of conserving resources and, by lowering consumption and replacing fossil fuels with renewable sources to generate electricity, reducing greenhouse gas emissions. RESP also helps finance the last stretch of broadband infrastructure, which increases the number of households able to benefit from smart thermostats and other networked appliances. Many RESP-funded programs are designed so financing for cost-effective improvements is accessible to all end-users regardless of income or credit, which helps provide a more equitable distribution of benefits.

### Funding

The 2018 Farm Bill authorized \$75 million annually in discretionary funding for RESP through 2023. Congress appropriated \$10 million for RESP in fiscal year (FY) 2019, \$12 million in FY 2020, \$11 million in FY 2021, and \$11.5 million in FY 2022. RESP leverages other Rural Utilities Service loans by acting as a credit subsidy. RESP awarded \$71.3 million in zero-interest loans in FY 2019, \$69.6 million in FY 2020, \$107.3 million in FY 2021, and \$80 million in FY 2022.

## Key Changes

- This resource will be updated as the House and Senate legislative Farm Bill texts are released.

## Legislative Side-By-Side

<b>Current Law</b> <a href="#">7 USC §8107a</a> (October 2022)	<b>House Version</b>	<b>Senate Version</b>
<p><b>(a) Purpose</b>            The purpose of this section is to help rural families and small businesses achieve cost savings by providing loans to qualified consumers to implement durable cost-effective energy efficiency measures.</p>	<p><b>This resource will be updated as the House legislative Farm Bill text is released.</b></p>	<p><b>This resource will be updated as the Senate legislative Farm Bill text is released.</b></p>
<p><b>(b) Definitions</b>            In this section:</p> <p><b>(1) Eligible entity</b>            The term "eligible entity" means-</p> <p>(A) any public power district, public utility district, or similar entity, or any electric cooperative described in <a href="#">section 501(c)(12)</a> or <a href="#">1381(a)(2)</a> of title 26, that borrowed and repaid, prepaid, or is paying an electric loan made or guaranteed by the Rural Utilities Service (or any predecessor agency);</p> <p>(B) any entity primarily owned or controlled by 1 or more entities described in subparagraph (A); or</p> <p>(C) any other entity that is an eligible borrower of the Rural Utilities Service, as determined under section 1710.101 of title 7, Code of Federal Regulations (or a successor regulation).</p> <p><b>(2) Energy efficiency measures</b>            The term "energy efficiency measures" means, for or at property served by an eligible entity, structural improvements and investments in cost-effective, commercial technologies to increase energy</p>		

<p>efficiency (including cost-effective on- or off-grid renewable energy or energy storage systems).</p> <p><b>(3) Qualified consumer</b> The term "qualified consumer" means a consumer served by an eligible entity that has the ability to repay a loan made under subsection (d), as determined by the eligible entity.</p> <p><b>(4) Secretary</b> The term "Secretary" means the Secretary of Agriculture, acting through the Administrator of the Rural Utilities Service.</p>		
<p><b>(c) Loans to eligible entities</b></p> <p><b>(1) In general</b> Subject to paragraph (2), the Secretary shall make loans to eligible entities that agree to use the loan funds to make loans to qualified consumers for the purpose of implementing energy efficiency measures.</p> <p><b>(2) Requirements</b></p> <p><b>(A) In general</b> As a condition of receiving a loan under this subsection, an eligible entity shall-</p> <ul style="list-style-type: none"> <li>(i) establish a list of energy efficiency measures that is expected to decrease energy use or costs of qualified consumers;</li> <li>(ii) prepare an implementation plan for use of the loan funds, including use of any interest to be received pursuant to subsection (d)(1)(A);</li> <li>(iii) provide for appropriate measurement and verification to ensure- <ul style="list-style-type: none"> <li>(I) the effectiveness of the energy efficiency loans made by the eligible entity; and</li> <li>(II) that there is no conflict of interest in carrying out this section; and</li> </ul> </li> <li>(iv) demonstrate expertise in effective use of energy efficiency measures at an appropriate scale.</li> </ul> <p><b>(B) Revision of list of energy efficiency measures</b> Subject to the approval of the Secretary, an eligible entity may update the list required under subparagraph (A)(i) to account for newly available efficiency technologies.</p> <p><b>(C) Existing energy efficiency programs</b> An eligible entity that, at any time before the date that is 60 days after February 7, 2014, has established an energy efficiency program for qualified consumers may use an existing list of energy efficiency measures, implementation plan, or measurement and</p>		

verification system of that program to satisfy the requirements of subparagraph (A) if the Secretary determines the list, plan, or systems are consistent with the purposes of this section.

**(3) No interest**

A loan under this subsection shall bear no interest.

**(4) Eligibility for other loans**

The Secretary shall not include any debt incurred by a borrower under this section in the calculation of the debt-equity ratio of the borrower for purposes of eligibility for loans under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.).

**(5) Repayment**

With respect to a loan under paragraph (1)-

(A) the term shall not exceed 20 years from the date on which the loan is closed; and

(B) except as provided in paragraph (7), the repayment of each advance shall be amortized for a period not to exceed 10 years.

**(6) Amount of advances**

Any advance of loan funds to an eligible entity in any single year shall not exceed 50 percent of the approved loan amount.

**(7) Special advance for start-up activities**

**(A) In general**

In order to assist an eligible entity in defraying the appropriate start-up costs (as determined by the Secretary) of establishing new programs or modifying existing programs to carry out subsection (d), the Secretary shall allow an eligible entity to request a special advance.

**(B) Amount**

No eligible entity may receive a special advance under this paragraph for an amount that is greater than 4 percent of the loan amount received by the eligible entity under paragraph (1).

**(C) Repayment**

Repayment of the special advance-

(i) shall be required during the 10-year period beginning on the date on which the special advance is made; and

(ii) at the election of the eligible entity, may be deferred to the end of the 10-year period.

**(8) Limitation**

All special advances shall be made under a loan described in paragraph (1) during the first 10 years of the term of the loan.

**(9) Accounting**

<p>The Secretary shall take appropriate steps to streamline the accounting requirements on borrowers under this section while maintaining adequate assurances of the repayment of the loans.</p>		
<p><b>(d) Loans to qualified consumers</b></p> <p><b>(1) Terms of loans</b></p> <p>Loans made by an eligible entity to qualified consumers using loan funds provided by the Secretary under subsection (c)-</p> <p>(A) may bear interest, not to exceed 5 percent, to be used for purposes that include-</p> <ul style="list-style-type: none"> <li>(i) to establish a loan loss reserve; and</li> <li>(ii) to offset personnel and program costs of eligible entities to provide the loans;</li> </ul> <p>(B) shall finance energy efficiency measures for the purpose of decreasing energy usage or costs of the qualified consumer by an amount that ensures, to the maximum extent practicable, that a loan term of not more than 10 years will not pose an undue financial burden on the qualified consumer, as determined by the eligible entity;</p> <p>(C) shall not be used to fund purchases of, or modifications to, personal property unless the personal property is or becomes attached to real property (including a manufactured home) as a fixture;</p> <p>(D) shall be repaid through charges added to the recurring service bill for the property for, or at which, energy efficiency measures are or will be implemented, on the condition that this requirement does not prohibit-</p> <ul style="list-style-type: none"> <li>(i) the voluntary prepayment of a loan by the owner of the property; or</li> <li>(ii) the use of any additional repayment mechanisms that are- <ul style="list-style-type: none"> <li>(I) demonstrated to have appropriate risk mitigation features, as determined by the eligible entity; or</li> <li>(II) required if the qualified consumer is no longer a customer of the eligible entity; and</li> </ul> </li> </ul> <p>(E) shall require an energy audit by an eligible entity to determine the impact of proposed energy efficiency measures on the energy costs and consumption of the qualified consumer.</p> <p><b>(2) Contractors</b></p> <p>In addition to any other qualified general contractor, eligible entities may serve as general contractors.</p>		

<p><b>(e) Contract for measurement and verification, training, and technical assistance</b></p> <p><b>(1) In general</b>  Not later than 90 days after February 7, 2014, the Secretary-  (A) shall establish a plan for measurement and verification, training, and technical assistance of the program; and  (B) may enter into 1 or more contracts with a qualified entity for the purposes of-</p> <ul style="list-style-type: none"> <li>(i) providing measurement and verification activities; and</li> <li>(ii) developing a program to provide technical assistance and training to the employees of eligible entities to carry out this section.</li> </ul> <p><b>(2) Use of subcontractors authorized</b>  A qualified entity that enters into a contract under paragraph (1) may use subcontractors to assist the qualified entity in carrying out the contract.</p>		
<p><b>(f) Additional authority</b>  The authority provided in this section is in addition to any other authority of the Secretary to offer loans under any other law.</p>		
<p><b>(g) Effective period</b>  Subject to the availability of funds and except as otherwise provided in this section, the loans and other expenditures required to be made under this section shall be available until expended, with the Secretary authorized to make new loans as loans are repaid.</p>		
<p><b>(h) Publication</b>  Not later than 120 days after the end of each fiscal year, the Secretary shall publish a description of-</p> <ul style="list-style-type: none"> <li>(1) the number of applications received under this section for that fiscal year;</li> <li>(2) the number of loans made to eligible entities under this section for that fiscal year; and</li> <li>(3) the recipients of the loans described in paragraph (2).</li> </ul>		
<p><b>(i) Authorization of appropriations</b>  There is authorized to be appropriated to carry out this section \$75,000,000 for each of fiscal years 2014 through 2023.</p>		

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This resource is available electronically (with hyperlinks and endnotes) at [www.eesi.org/papers](http://www.eesi.org/papers).

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