EESI Environmental and Energy Study Institute

# 2023 Farm Bill Legislative Side-By-Side

## RURAL ENERGY FOR AMERICA PROGRAM (REAP)

### Program Description

The USDA Rural Development's Rural Energy for America Program (REAP) provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses to install renewable energy systems or to make energy efficiency improvements. Agricultural producers may also apply for new energy efficient equipment and new system loans for agricultural production and processing.

### Climate Highlights

REAP helps agricultural producers and rural small businesses access renewable energy and energy efficiency upgrades, both of which help mitigate climate change. Eligible renewable energy systems include biomass, geothermal, hydropower, hydrogen, wind, solar, and ocean energy. Energy efficiency improvements include upgrading heating, ventilation, and air conditioning systems, insulation, lighting, refrigeration units, doors and windows; installing electric, solar, or gravity pumps for sprinkler pivots; switching from diesel to electric irrigation motors; and replacing energy-inefficient equipment.

### Funding

The 2018 Farm Bill (P.L.115-334) retained mandatory annual funding of $50 million for REAP in fiscal year (FY) 2014 and every year thereafter and authorized discretionary annual funding of $20 million through FY 2023. Congress appropriated $12.9 million in discretionary funding and $50 million in mandatory funding for REAP in FY 2022. In addition, the *Inflation Reduction Act* (P.L. 117-169) provided approximately $1.7 billion for REAP and increases the federal cost share for grants from 25 percent to a maximum of 50 percent.

### Key Changes

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

## Legislative Side-By-Side

| Current Law<br>7 USC §8107 (October 2022) | House Version | Senate Version |
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| **(a) Establishment**<br>The Secretary, in consultation with the Secretary of Energy, shall establish a Rural Energy for America Program to promote energy efficiency and renewable energy development for agricultural producers and rural small businesses through-<br>(1) grants for energy audits and renewable energy development assistance; and<br>(2) financial assistance for energy efficiency improvements and renewable energy systems. | **This resource will be updated as the House legislative Farm Bill text is released.** | **This resource will be updated as the Senate legislative Farm Bill text is released.** |
| **(b) Energy audits and renewable energy development assistance**<br>**(1) In general**<br>The Secretary shall make competitive grants to eligible entities to provide assistance to agricultural producers and rural small businesses-<br>(A) to become more energy efficient; and<br>(B) to use renewable energy technologies and resources.<br>**(2) Eligible entities**<br>An eligible entity under this subsection is-<br>(A) a unit of State, tribal, or local government;<br>(B) a land-grant college or university or other institution of higher education;<br>(C) a rural electric cooperative or public power entity;<br>(D) a council (as defined in section 3451 of title 16); and<br>(E) any other similar entity, as determined by the Secretary.<br>**(3) Selection criteria**<br>In reviewing applications of eligible entities to receive grants under paragraph (1), the Secretary shall consider-<br>(A) the ability and expertise of the eligible entity in providing professional energy audits and renewable energy assessments;<br>(B) the geographic scope of the program proposed by the eligible entity in relation to the identified need;<br>(C) the number of agricultural producers and rural small businesses to be assisted by the program;<br>(D) the potential of the proposed program to produce energy savings and environmental benefits; | | |

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| (E) the plan of the eligible entity for performing outreach and providing information and assistance to agricultural producers and rural small businesses on the benefits of energy efficiency and renewable energy development; and<br>(F) the ability of the eligible entity to leverage other sources of funding.<br>**(4) Use of grant funds**<br>A recipient of a grant under paragraph (1) shall use the grant funds to assist agricultural producers and rural small businesses by-<br>(A) conducting and promoting energy audits; and<br>(B) providing recommendations and information on how-<br>(i) to improve the energy efficiency of the operations of the agricultural producers and rural small businesses; and<br>(ii) to use renewable energy technologies and resources in the operations.<br>**(5) Limitation**<br>Grant recipients may not use more than 5 percent of a grant for administrative expenses.<br>**(6) Cost sharing**<br>A recipient of a grant under paragraph (1) that conducts an energy audit for an agricultural producer or rural small business under paragraph (4) shall require that, as a condition of the energy audit, the agricultural producer or rural small business pay at least 25 percent of the cost of the energy audit, which shall be retained by the eligible entity for the cost of the energy audit. | | |
| **(c) Financial assistance for energy efficiency improvements and renewable energy systems**<br>**(1) In general**<br>**(A) Assistance**<br>In addition to any similar authority, the Secretary shall provide-<br>(i) loan guarantees and grants to agricultural producers and rural small businesses-<br>(I) to purchase renewable energy systems, including systems that may be used to produce and sell electricity; and<br>(II) to make energy efficiency improvements; and<br>(ii) loan guarantees to agricultural producers to purchase and install energy efficient equipment or systems for agricultural production or processing that exceed-<br>(I) energy efficiency building codes, if applicable;<br>(II) Federal or State energy efficiency standards, if applicable; and | | |

(III) other energy efficiency standards determined appropriate by the Secretary.

**(B) Limitations**

With respect to loan guarantees under subparagraph (A)(ii)-

(i) if no codes or standards described in such subparagraph apply to the energy efficient equipment or system to be purchased or installed pursuant to such subparagraph, the Secretary shall require, to the maximum extent practicable, such equipment or system to meet the same efficiency measurements as the most efficient available equipment or system in the market; and

(ii) the Secretary shall not provide such a loan guarantee for the purchase or installation of any energy efficient equipment or system unless more than one type of such equipment or system is available in the market.

**(2) Award considerations**

In determining the amount of a loan guarantee or grant provided under this section, the Secretary shall take into consideration, as applicable-

(A) the type of renewable energy system to be purchased;

(B) the estimated quantity of energy to be generated by the renewable energy system;

(C) the expected environmental benefits of the renewable energy system;

(D) the quantity of energy savings expected to be derived from the activity, as demonstrated by an energy audit;

(E) the estimated period of time for the energy savings generated by the activity to equal the cost of the activity;

(F) the expected energy efficiency of the renewable energy system; and

(G) other appropriate factors.

**(3) Limits**

**(A) Grants**

The amount of a grant under this subsection shall not exceed 25 percent of the cost of the activity carried out using funds from the grant.

**(B) Maximum amount of loan guarantees**

The amount of a loan guaranteed under this subsection shall not exceed $25,000,000.

**(C) Maximum amount of combined grant and loan guarantee**

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| The combined amount of a grant and loan guaranteed under this subsection shall not exceed 75 percent of the cost of the activity funded under this subsection.<br>**(D) Loan guarantees for energy efficient equipment to agricultural producers**<br>Using funds made available under paragraphs (1) and (3) of subsection (f), in each fiscal year the Secretary may use for loan guarantees under paragraph (1)(A)(ii) an amount that does not exceed 15 percent of such funds.<br>**(4) Tiered application process**<br>**(A) In general**<br>In providing loan guarantees and grants under this subsection, the Secretary shall use a 3-tiered application process that reflects the size of proposed projects in accordance with this paragraph.<br>**(B) Tier 1**<br>The Secretary shall establish a separate application process for projects for which the cost of the activity funded under this subsection is not more than $80,000.<br>**(C) Tier 2**<br>The Secretary shall establish a separate application process for projects for which the cost of the activity funded under this subsection is greater than $80,000 but less than $200,000.<br>**(D) Tier 3**<br>The Secretary shall establish a separate application process for projects for which the cost of the activity funded under this subsection is equal to or greater than $200,000.<br>**(E) Application process**<br>The Secretary shall establish an application, evaluation, and oversight process that is the most simplified for tier I projects and more comprehensive for each subsequent tier. | | |
| **(d) Outreach**<br>The Secretary shall ensure, to the maximum extent practicable, that adequate outreach relating to this section is being conducted at the State and local levels. | | |
| **(e) Lower-cost activities**<br>**(1) Limitation on use of funds**<br>Except as provided in paragraph (2), the Secretary shall use not less than 20 percent of the funds made available under subsection (f) to provide grants of $20,000 or less.<br>**(2) Exception** | | |

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| Effective beginning on June 30 of each fiscal year, paragraph (1) shall not apply to funds made available under subsection (f) for the fiscal year. | | |
| **(f) Funding**<br>**(1) Mandatory funding**<br>Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section, to remain available until expended-<br>(A) $55,000,000 for fiscal year 2009;<br>(B) $60,000,000 for fiscal year 2010;<br>(C) $70,000,000 for fiscal year 2011;<br>(D) $70,000,000 for fiscal year 2012; and<br>(E) $50,000,000 for fiscal year 2014 and each fiscal year thereafter.<br>**(2) Audit and technical assistance funding**<br>**(A) In general**<br>Subject to subparagraph (B), of the funds made available for each fiscal year under paragraph (1), 4 percent shall be available to carry out subsection (b).<br>**(B) Other use**<br>Funds not obligated under subparagraph (A) by April 1 of each fiscal year to carry out subsection (b) shall become available to carry out subsection (c).<br>**(3) Discretionary funding**<br>In addition to any other funds made available to carry out this section, there is authorized to be appropriated to carry out this section $20,000,000 for each of fiscal years 2019 through 2023. | | |

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

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

*The Environmental and Energy Study Institute (EESI) is a non-profit organization founded in 1984 on a bipartisan basis by members of Congress to help educate and inform policymakers, their staff, stakeholders, and the American public about the benefits of a low-emissions economy that prioritizes energy efficiency, renewable energy, and new clean energy technologies. In 1988, EESI declared that addressing climate change is a moral imperative, which has since guided our work toward our vision: a sustainable, resilient, and equitable world.*