

“Farm Bill 2008” Potential Common Questions

Why is renewable energy part of a Farm Bill? Isn't the Farm Bill about farming?

The “Farm Bill” is actually titled the “Food, Conservation and Energy Act of 2008” and is meant to be an investment in our nation’s food and farm economy. Protecting our natural resources and promoting development of renewable energy programs in our rural communities is fundamentally connected with expanding our food security programs and promoting healthier foods and local food networks. This bill is a reflection of our commitment to rural communities and an acknowledgement of the vital programs they sustain.

I'm a utility company and I purchase/produce renewable energy. How am I affected by the passage of the 2008 Farm Bill?

The 2008 Farm Bill now includes the purchase of renewable energy equipment to be used for the sale of renewable energy as an eligible project available for funding under §9007(c). While this only applies to agricultural producers and small rural business owners, it means that more money will be available for those who qualify to produce renewable energy that can then be purchased by a utility company in an effort to comply with renewable energy standards.

I am a farmer and have a lot of land in a part of the state that is VERY windy. I have been thinking about developing a large-scale wind energy project. What sort of financial incentive does the new farm bill provide?

The amount of money awarded to an agricultural producer for a renewable energy program is mostly limited by the cost of the project: the maximum grant amount is 25% of the cost of the project while the maximum loan amount is \$25,000,000. A combined grant/loan award is limited to 75% of the cost of the project. This is a significant increase from the 2002 Farm Bill which limited the combined grant/loan award to 50% of the cost of the project. See §9007(c)(4).

How much money is the government giving to these programs?

The 2008 Farm Bill significantly increases the funding available to renewable energy programs. The 2002 Farm Bill had a budget of \$3 million for fiscal year 2007. The 2008 Farm Bill has a total budget of \$355 million for 4 years (2009-2012). In addition to a \$25,000,000 per year discretionary fund, the mandatory funds are allocated as such:

2009: \$55,000,000

2010: \$60,000,000

2011: \$70,000,000

2012: \$70,000,000

See §9007(g).

How is the money going to be divided between Sections 9007(b) and (c)?

Most of the money is directed to programs under §9007(c), the Financial Assistance for Energy Efficiency Improvements and Renewable Energy Systems which provide loans and grants to agricultural producers and rural small business owners. However, in the first half of each fiscal year (October 1 – March 31), 4% of the mandatory funds will be

set aside for programs qualifying under §9007(b) to assist in development of renewable energy programs. Starting April 1, any of that 4% not already obligated will then be available for programs under §9007(c). See §9007(g)(2).

I would like to set up a small wind turbine to power my farm. Can I apply for a loan/grant too?

For smaller-scale projects, the Secretary is instructed to reserve 20% of the funds available for §9007(c) projects to applications not requesting more than \$20,000. However, this reserved amount is only guaranteed until June 30. During the last quarter of the year (July 1 – Sept 30), there is no requirement to reserve any money for lower-cost activities. See §9007(e).

What if I find out too late that my renewable energy project isn't actually feasible?

As with any business venture there is always the possibility that the program or project won't succeed, however the 2008 Farm Bill now includes a provision to fund feasibility studies. The bill allows for 10% of the money available for grants to be given to agricultural producers and rural small business owners to conduct studies to determine whether a project that is eligible for funding under §9007(c) would be feasible. This money is only available if the recipient has NOT received Federal or State funding for a study of the same project. See §9007(c)(3).

I would like to sell my renewable energy, not use it myself. Is the REAP funding only available to small-scale energy projects designed to be used by the producer?

The 2008 Farm Bill now includes the sale of renewable energy as a qualifying program that would be eligible for funding. See §9007(c)(1)(A).