

Rural Energy for America Program Fact Sheet



April 2013

The Rural Energy for America Program (REAP) was created in the 2008 farm bill to provide federal grants and loans to renewable energy projects. While designed to primarily promote rural solar, wind, hydropower, geothermal, and similar projects, the program also provides taxpayer subsidies to the mature corn ethanol industry. While taxpayers should be concerned with all farm bill programs that provide energy subsidies, corn ethanol giveaways are particularly egregious because of the billions of dollars in subsidies the industry received over the last 30 years. Corn ethanol also often has its hand in programs not originally intended for it. When Congress authorized REAP and other farm bill energy title programs, corn ethanol was prohibited from receiving taxpayer funding since lawmakers intended to promote the development of next generation (advanced) biofuels and energy sources from non-food sources. However, the agribusiness industry successfully convinced the U.S. Department of Agriculture (USDA) to alter program regulations to allow corn ethanol interests to apply for blender pump funding.

Background

The 2008 farm bill energy title provided \$255 million in mandatory REAP funding for FY2009-2012, with additional funding offered through annual appropriations bills. When the current farm bill was extended through September 30, 2013, in the Jan. 2013 “fiscal cliff” deal, REAP was funded through FY13.

REAP was created to provide grants and loans to rural businesses for energy efficiency projects, energy audits, feasibility studies, and installations of renewable energy systems. The program is administered by USDA’s Rural Development office.

REAP is funded through the energy title of the farm bill. The farm bill, renewed approximately every five years, is a wide ranging piece of legislation that funds everything from nutrition assistance programs and broadband internet to agricultural subsidies for the production of crops such as corn and soybeans. More specifically, the energy title of the farm bill, first introduced in 2002, provides grants, loans, and other subsidies to energy efficiency, biofuels, and bioenergy (heat and power) projects. In total, the 2008 farm bill energy title’s 13 major programs were projected to cost taxpayers \$1.1 billion over five years (FY08-12).¹

Facilities that receive REAP support range from universities receiving research and development grants to investigate new uses for biomass sources such as wood and agricultural residues to large, established corn ethanol companies receiving grants for annual production of biofuel. Other energy title projects funded by taxpayers include the collection, storage, harvest, and transportation of biomass sources to bioenergy or biofuels facilities; anaerobic digesters that create heat and power from animal waste; grants and loans to individuals or companies installing ethanol dispensers at gasoline stations or wind, solar, and geothermal systems (through REAP); and federally backed loan guarantees for so-called next generation biofuels

facilities that produce biofuels other than corn ethanol. As this fact sheet shows, while intended to support the next generation of biofuels derived from non-food sources and other renewable forms of energy, the farm bill energy title has also spent taxpayer dollars on the mature corn ethanol industry, supporting biomass sources with numerous unintended consequences, and even paying for updates to farmers' irrigation equipment and grain dryers.

Types of Projects Receiving Taxpayer Funding

While the majority of REAP funding goes to solar and energy efficiency projects, the USDA's Rural Development office has also awarded \$2.9 million to corn ethanol facilities and gasoline stations installing ethanol blender pumps to dispense higher blends of ethanol such as 15 or 85 percent ethanol (E15 and E85, respectively). Even though Congress did not authorize REAP funding to be spent on ethanol blender pumps, ethanol lobbyists went around lawmakers' backs and convinced USDA to allocate more federal taxpayer dollars to this mature biofuel. This is in addition to over 30 years of billions of dollars in federal subsidies, tax credits, loans, and other federal taxpayer supports. Other surprises in the list of taxpayer-funded REAP projects include grain bin dryers, irrigation systems, oxygen monitoring systems for catfish farms, and construction of soy and waste vegetable oil biodiesel facilities.

As Table 1 shows, nearly two-thirds of grants and loan checks were written for solar, energy efficiency, energy audits, or grain dryer projects. The remaining taxpayer dollars went to the following types of projects: wind (ten percent), biomass for use in biofuels or heat/power production (nine percent), anaerobic digesters (eight percent), corn ethanol and ethanol blender pumps (three percent), geothermal (two percent), soy and waste vegetable oil biodiesel (one percent), irrigation systems (one percent), and hydropower (one percent). The final two percent was spent on other projects like oxygen monitoring systems for catfish farms, unclassified renewable energy projects, and others with no description at all. Since the Aug. 2011, Sept. 2011, and portions of the June, Aug., and Oct. 2012 announcements failed to disclose what types of "energy efficiency" projects taxpayers paid for, the total number of subsidized grain dryers and irrigation systems may be underestimated.

Table 1 contains a summary of the types of projects that were funded through REAP grants and loans during the following USDA announcements: Nov. 2010, Jan. 2011, Aug. 2011, Sept. 2011, June 2012, Aug. 2012, and Oct. 2012. The table only discloses how \$102.8 million was spent on 2,810 projects since USDA did not provide detailed information about projects funded during earlier announcements.

Table 1: Projects Funded in Rural Energy for America Program				
Types of Projects	Number of Projects	Pct. of Projects	Loan/Grant Amount Nov. 2010-2012	Pct. of Amount
Solar	737	26.2%	\$31,263,330	30.4%
Energy efficiency and energy audits*	1,101	39.2%	\$21,566,570	21.0%
Grain dryers*	444	15.8%	\$12,830,958	12.5%
Wind	140	5.0%	\$10,234,548	10.0%
Biomass	56	2.0%	\$9,148,140	8.9%
Anaerobic digester	31	1.1%	\$8,030,760	7.8%
Corn ethanol & blender pumps	70	2.5%	\$2,924,228	2.8%
Other	39	1.4%	\$1,665,973	1.6%
Geothermal	71	2.5%	\$1,649,189	1.6%
Soy and waste vegetable biodiesel	7	0.2%	\$1,378,330	1.3%
Irrigation*	97	3.5%	\$1,140,434	1.1%
Hydropower	17	0.6%	\$929,058	0.9%
TOTAL	2,810		\$102,761,518	
* Note that some grain dryer and irrigation projects may be categorized under “energy efficiency” projects since USDA did not provide detailed information for some entries. Therefore, the number of grain dryers and irrigation systems that received grants or loans under REAP may be underestimated.				

Conclusion

Even though the Rural Energy for America Program was designed to promote renewable energy sources such as solar and wind, funding data suggests that taxpayer dollars have also been wasted on the mature corn ethanol industry, without Congressional approval. After more than 30 years of federal subsidies, it is time this industry stands on its own two feet. REAP funding has also subsidized the soy biodiesel industry which has received federal subsidies for more than a decade. Finally, taxpayer dollars were spent on normal costs of doing business such as replacing agricultural producers’ grain bin dryers, irrigation systems, and oxygen monitoring systems for catfish farms.

REAP dollars are being spent on mature biofuels technologies, projects with unintended consequences, and routine costs of doing business—demonstrating it is loaded with taxpayer waste. For these reasons and more, the program should not be renewed.

For more information, contact Taxpayers for Common Sense at 202-546-8500.

References in Table 1:

<http://www.rurdev.usda.gov/SupportDocuments/RD9007feasibilitylista.pdf>

<http://ethanolproducer.com/plants/listplants/USA/>

<http://www.usda.gov/wps/portal/usda/usdahome?contentid=2011/11/0481.xml&contentidonly=true>

<http://www.rurdev.usda.gov/SupportDocuments/RD-REAP20000-aboveSept2011.pdf>

<http://www.rurdev.usda.gov/SupportDocuments/RDREAPGrantsAug162011.pdf>

<http://www.rurdev.usda.gov/Reports/rdREAPReportMarch2012.pdf>

<http://www.ers.usda.gov/FarmBill/2008/Titles/TitleIXEnergy.htm#ruralAmerica>

http://www.rurdev.usda.gov/supportdocuments/120625_reaplistfinal.pdf

<http://www.rurdev.usda.gov/SupportDocuments/rdREAPListOct102012.pdf>

¹ <http://www.nationalaglawcenter.org/assets/crs/RL34130.pdf>