

# Rural Energy for America Program Fact Sheet



June 2015

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 has also provided taxpayer subsidies to the mature corn ethanol industry. Taxpayers should be concerned about all wasteful farm bill subsidies, including those for energy, but corn ethanol giveaways stand out as particularly egregious because of the billions of dollars in subsidies the industry has 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; lawmakers intended to promote the development of next generation (advanced) biofuels and energy sources from non-food crops. The corn ethanol industry, however, successfully convinced the U.S. Department of Agriculture (USDA) to alter program regulations in 2011 to allow corn ethanol interests to apply for REAP blender pump funding. While the 2014 farm bill prohibited future taxpayer spending on ethanol blender pumps through REAP, this fact sheet details how millions of dollars have been squandered on the mature industry and other wasteful projects. It also details the USDA's unilateral announcement in May 2015 to spend \$100 million in support of new ethanol blender pumps through a different agency funding account, the Commodity Credit Corporation.

## 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. The 2014 farm bill provided \$50 million annually from FY2014-18 and discretionary (optional) funding of \$20 million for each of those years.<sup>1</sup> 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 2014 farm bill energy title's 13 major programs are projected to cost taxpayers \$879 million over five years (spread out over FY14-23).<sup>2</sup>

Projects that receive farm bill energy title 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 and soy biodiesel companies that receive 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 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 over \$3.3 million to corn ethanol facilities and gasoline stations installing ethanol blender pumps to dispense gas with 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 the mature biofuel. Due to a restriction in the 2014 farm bill, USDA may no longer spend REAP taxpayer dollars on ethanol blender pumps. In May 2015, however, USDA [announced](#) ethanol blender pumps would be subsidized again through a different USDA funding account without authorization from Congress.

As Table 1 shows, 80 percent of grant and loan checks from Nov. 2010 to Apr. 2015 were written for solar, energy efficiency, energy audits, grain dryer, and anaerobic digesters. The remaining taxpayer dollars went to the following types of projects:

- biomass for use in biofuels or heat/power production (five percent),
- wind (five percent),
- hydropower (three percent),
- irrigation systems (two percent),
- corn ethanol and ethanol blender pumps (one percent),
- geothermal (one percent), and
- soy and waste vegetable oil biodiesel (one percent).

The final one percent was spent on other projects like oxygen monitoring systems for catfish farms, installation of tobacco production equipment, replacement of a “syrup evaporator,” construction of confined poultry feeding operations, unclassified renewable energy projects, and others with no description at all.

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, Oct. 2012, Aug. 2013, Sept. 2013, Jan. 2014, Sept. 2014, and Apr. 2015. The table only discloses how \$227 million was spent on 4,706 projects because USDA did not provide detailed project information during certain funding announcements.

Since the Aug. 2011, Sept. 2011, and portions of the June, Aug., Oct. 2012, and Jan. 2014 announcements failed to disclose the types of “energy efficiency” projects taxpayers paid for, the total number of subsidized grain dryers and irrigation systems may be underestimated.

**Table 1: Projects Funded in Rural Energy for America Program, Nov. 2010 to Apr. 2015**

Types of Projects	Number of Projects	Pct. of Projects	Loan/Grant Amount	Pct. of Amount
Solar	1412	30.0%	\$115,715,353	51%
Energy efficiency and energy audits*	1663	35.3%	\$35,352,365	16%
Grain dryers*	705	15.0%	\$18,414,858	8%
Anaerobic digester	40	0.8%	\$12,246,254	5%
Wind	184	3.9%	\$11,900,596	5%
Biomass	96	2.0%	\$12,125,489	5%
Hydropower	27	0.6%	\$5,938,286	3%
Irrigation*	249	5.3%	\$3,630,394	2%
Corn ethanol & blender pumps	82	1.7%	\$3,335,040	1%
Other	62	1.3%	\$2,494,730	1%
Geothermal	151	3.2%	\$3,120,701	1%
Soy and waste vegetable biodiesel	14	0.3%	\$2,040,602	1%
Tobacco	21	0.4%	\$240,054	0.1%
<b>TOTAL</b>	<b>4,706</b>		<b>\$226,554,723</b>	

\* 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. Source: USDA data<sup>3</sup>

## 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. While the program can no longer dispense taxpayer funding for ethanol blender pumps, other farm bill programs and accounts continue to shovel money to the mature corn ethanol industry, including subsidies for ethanol blender pumps even though such spending has been rejected by Congress numerous times. REAP funding has also subsidized the soy biodiesel industry which has received federal subsidies for more than a decade. Finally, taxpayer dollars were spent to cover normal costs of doing business, such as replacing agricultural producers’ grain bin dryers, irrigation systems, and oxygen monitoring systems for catfish farms. For these reasons and more, REAP should not be renewed in the next farm bill, and its spending should be reined in until then.

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

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<sup>1</sup> <http://docs.house.gov/billsthisweek/20140127/CRPT-113hrpt-HR2642-SOM.pdf>

<sup>2</sup> <http://cbo.gov/sites/default/files/cbofiles/attachments/hr2642LucasLtr.pdf>

<sup>3</sup> Table Sources:

<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/120625_reaplistfinal.pdf)

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

[http://www.rurdev.usda.gov/SupportDocuments/REAP\\_feasibility20130815.pdf](http://www.rurdev.usda.gov/SupportDocuments/REAP_feasibility20130815.pdf)

[http://www.rurdev.usda.gov/SupportDocuments/REAP\\_list20130815.pdf](http://www.rurdev.usda.gov/SupportDocuments/REAP_list20130815.pdf)

[http://www.rurdev.usda.gov/SupportDocuments/rdRuralEnergyAwards\\_2013.pdf](http://www.rurdev.usda.gov/SupportDocuments/rdRuralEnergyAwards_2013.pdf)

[http://www.rurdev.usda.gov/SupportDocuments/rdRuralEnergy\\_REAPList092413.pdf](http://www.rurdev.usda.gov/SupportDocuments/rdRuralEnergy_REAPList092413.pdf)

<http://www.usda.gov/wps/portal/usda/usdahome?contentid=2013/09/0191.xml&contentidonly=true>

[http://www.rurdev.usda.gov/SupportDocuments/RDRuralEnergyProgramProjectsNov\\_2013.pdf](http://www.rurdev.usda.gov/SupportDocuments/RDRuralEnergyProgramProjectsNov_2013.pdf)

<http://www.rurdev.usda.gov/supportdocuments/rdREAPProjectsSept2014.pdf>

<http://www.rd.usda.gov/files/RD-EarthDay2015.pdf>