



Committed to the Future of Rural Communities

Farm Bill Section 9007 - 7CFR 4280-Subpart B

RURAL ENERGY FOR AMERICA PROGRAM (REAP)

FACT SHEET

Section 9007 – The Rural Energy for America Program, through USDA – Rural Development, offers **grants, guaranteed loans, and combination grant/guaranteed loans to help agriculture producers and rural small businesses** purchase and install renewable energy systems and make energy efficiency improvements in rural areas. Information regarding the program can be found at: www.rurdev.usda.gov/rbs. Click on Energy Initiatives / Farm Bill resources.

Who is Eligible?

- ✓ An **agriculture producer** (individual or entity) directly engaged in the production of agriculture products and obtains at least 50% or greater of their gross income from their agriculture business.
- ✓ A **rural small business** – an entity is considered a small business in accordance with SBA'S (Small Business Administration) small business size standards (by NAICS codes). SBA small size standards can be found at <http://www.sba.gov/size/index.html>
 - ***A private entity including a sole proprietorship, partnership, corporation, and a cooperative (including a cooperative qualified under section 501 (c) (12) of the Internal Revenue Code.
 - ***An electric utility, including a Tribal or government electric utility that provides service to rural consumers on a cost-of-service basis without support from public funds or subsidy from the Government authority establishing the district, provided such utilities meet SBA's definition of small business. These entities must operate independent of direct government control.
- ✓ With the exception of the entities described above, all other non-profit organizations and public entities are **excluded**.
- ✓ For projects with total eligible costs **exceeding \$200,000**, agricultural producers and rural small businesses with a demonstrated financial need.
- ✓ For projects with total eligible costs of **\$200,000 or less**, applicants must provide a statement certifying their financial need.

What Type of Projects are Eligible?

	Renewable Energy Projects	Energy Efficiency Improvement Projects
Categories of projects <i>(The project must be located in a rural area.)</i>	Biomass, Anaerobic Digester Geothermal – electric generation Geothermal – direct use Hydrogen Small and Large Wind Small and Large Solar	Energy Efficiency Improvements verified by an energy audit or assessment.

Program Information (Eligible Project Costs)

	Grant	Guaranteed Loan	Combination Grant & Guaranteed Loan
Who is the applicant?	Agriculture producer or rural small business.	A lender is the applicant seeking a guarantee on a loan to an agriculture producer or a rural small business.	2 applications needed. The grant application is from the agriculture producer or the rural small business. The lender submits an application for the guaranteed loan.
What are eligible costs? <i>(All eligible projects must be located in a rural area and utilize a replicable commercially available, and feasible technology.</i> <i>The applicant must be the owner of the project and control the operation and maintenance of the proposed project.</i> <i>Applicants must demonstrate the project has sufficient revenues to provide for operation and maintenance.</i>	<ol style="list-style-type: none"> 1. Post application purchase and installation of equipment (new, refurbished, or remanufactured), except agricultural tillage equipment, used equipment and vehicles. 2. Post application construction or project improvements, except residential 3. Energy audits or assessments 4. Permit and license fees 5. Professional service fees, except for application preparation. 6. Feasibility studies and technical reports 7. Business Plans 8. Retrofitting 9. Construction of new energy efficient facility only when the facility is used for the same purpose; is approximately the same size; and based on the energy audit, will provide energy savings than improving an existing facility. 	The same eligible costs as listed for a grant, with the addition of: 10. Working capital 11. Land Acquisition	Only the guaranteed portion can be used for working capital or land acquisition.

How Much Assistance can be Provided?

	Renewable Energy Projects	Energy Efficiency Improvement Projects
Description	A system that produces or produces or delivers usable energy from a renewable energy source.	Improvements to a facility, building, or process that reduces energy consumption.
Minimum grant (no more than 25% of total eligible project costs)	\$2,500	\$1,500
Maximum grant (no more than 25% of total eligible project costs)	\$500,000	\$250,000
Maximum grant per applicant per fiscal year: \$750,000		
Minimum guaranteed loan (no more than 50% of total eligible project costs)	\$5,000	\$5,000
Maximum guaranteed loan (no more than 50% of total eligible project costs)	\$25,000,000	\$25,000,000
Minimum grant portion of the combined funding request	\$1,500	\$1,500
Maximum grant portion of the combined funding request	\$500,000	\$250,000
Maximum combination grant/guaranteed loan (no more than 75% of total eligible project costs) \$25,000,000		

	Renewable Energy Projects	Energy Efficiency Improvement Projects
Services of a Professional Engineer required?	Projects with total eligible costs > \$400,000	Projects with total eligible costs > \$200,000
Energy audit or energy assessment required?	NO	Required for all energy efficiency projects. Projects with total eligible costs > \$50,000 require an energy audit.
Business Level Feasibility study required?	Projects with total eligible costs > \$200,000	NO
Technical Report Required	Yes	Yes

What Type of Application Should be Submitted?

Application process	Total eligible project costs	
Simplified grant application criteria and procedures 4280.109	\$200,000 or less	
Applicant provided a certification of financial need	\$200,000 or less	
Technical Report Guidelines can be found in	Appendix A to 4280-B	
Full grant application criteria and procedures 4281.111	>\$200,000	
Applicant has demonstrated financial need	>\$200,000	
Technical Report Guidelines can be found in	Appendix B to 4280-B	
Guaranteed loans – Reduced application and documentation. 4280.128	=or<\$600,000	
Guaranteed loans – Full application and documentation	>\$600,000	
Guaranteed loan – Equity evidence by borrowers	=or<\$600,000 – not less than 15% of eligible project costs >\$600,000 – not less than 25% of eligible project costs	
Maximum percentage of guarantee	=or<\$600,000	85%
	>\$600,000 & =or< \$5 million	80%
	>\$5 million & - or < \$10 million	70%
Guaranteed loan – Appraisal	=or<\$600,000 complete self-contained appraisal >\$600,000 complete summary appraisal	

When are Applications Due in FY 2009? (10-1-08 to 9-30-09)

Program	State and/or National Allocation	Application Submission Frequency	Date Applications are due to MI Offices
RE/EE grants	\$ TBD	After Notice of Funds Announcement in Federal Register	TBD
RE/EE guaranteed loans	\$ TBD <i>Any unused funds at end of FY revert back to grant funds.</i>	After Notice of Funds Announcement in Federal Register	TBD
RE/EE combination Grants/guaranteed loan	Grant portion from grant allocation. Guaranteed loan portion from guaranteed loan allocation	After Notice of Funds Announcement in Federal Register	TBD

We Encourage You to Start Planning Your Project Now.

Where to Send Applications?

Selection is based on a nation – wide competition for funds. To qualify for consideration for funding, an application must meet the application requirements, technical requirements, and environmental requirements.

Separate applications must be submitted for renewable energy system and energy efficiency improvement projects. Only one application per each type of project may be submitted per year.

Please send one original and one copy of your application.

Please see next page for USDA Rural Development Business Cooperative Program Staff Contact Information.



Committed to the future of rural communities.

Michigan

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