American Diversified Energy
CONSULTING SERVICES

U.S. Department of Agriculture (USDA) Energy Innovation Programs at Risk

The **2018 agriculture spending bill adopted by the U.S. House of Representative, House Bill H.R. 3268**, will make significant reductions in two U.S. Department of Agricultures (USDA) programs that stimulate energy innovation and deliver these innovations to rural America.

The two programs affected are the USDA's *Section 9003 Biorefinery, Renewable Chemical and Biobased Product Manufacturing Assistance Program* and *Section 9007 Renewable Energy for America Program (REAP).*

While the agriculture spending bill passed by the House provides some funding for the Section 9007 program, it will not be possible to operate this program effectively since the bill significantly limits the funding for this program and the salaries and personnel expenses to carry it out. Sec. 714 of H.R.3268 also eliminates funding for the salaries and personnel expenses necessary to carry out the Section 9003 program.

The companion bill in the U.S. Senate, S.1603, which has been reported out of committee, but has not yet been passed by the full Senate, is preferable.

The next step for these two bills will be to resolve their differences – known as "conferencing" – and to incorporate them into the omnibus spending bill that is now being drafted by committee staff to fund the federal government for the balance of the 2018 fiscal year.

According to USDA, as of September 1:

- There were 17 projects in Phase 2 of the review process for the Section 9003 program totaling $1.3 billion. The projects are located in 11 states: CA, FL, GA, HI, LA, NV, MS, OH, OR, TN, and TX.
- For Section 9007, there were 781 pending grant applications totaling $53.2 million and 823 guaranteed loan applications totaling $116.6 million. **<u>These grants and guaranteed loans will fund projects in almost every state.</u>**
- **And that is just for a single year of the programs' operation.**

<u>The House spending bill, H.R. 3268, currently provides no transition or phase out of these programs</u>:

- All the career people who staff these programs, and whose institutional knowledge have led to annual improvements in the efficiency and reach of these programs, will have their jobs cut;
- Projects that are starting construction, going to closing, and progressing through review, in which companies have invested years of work and millions of dollars, will be stopped in their tracks; and
- The jobs, economic growth and tax revenues to pay for schools, fire and police protection and other public services on which communities were depending are never going to materialize.

Eliminating, or making sharp reductions in these programs, does not make economic, fiscal or business sense.

These loan guarantee programs:

- <u>More than pay for themselves</u>,
- Return more revenue to the U.S. Treasury through annual interest payments than they cost to operate;
- Leverage each federal dollar invested, stimulating private investment at a ratio of $5 to $10 for every $1 through additional follow-on projects initiated by the private sector;
- Create jobs and economic growth in the nation's rural communities;
- Support projects that otherwise would not be built that, in turn, generate local tax revenues that benefit local communities by paying for roads, schools, and other public services; and thus
- <u>Will contribute more toward providing revenue to offset tax cuts and pay for other programs if they are kept and expanded rather than being eliminated</u>.

1200 G Street, NW, Suite 800, Washington, DC 20005
Telephone: 202-750-0007 Email: info@americandiversified.energy