



United States Department of Agriculture
Rural Development
Hawaii State Office – Western Pacific Region

June 29, 2007

Aloha:

Enclosed you will find two fact sheets regarding renewable energy and value-added agricultural marketing programs. These are two of many programs that are offered by Rural Development (<http://www.rurdev.usda.gov>). Both of these programs are part of the current Farm Bill negotiation, so the status for FY 2008 is unknown at this time. However, it is anticipated there will be funding for both programs next year.

RENEWABLE ENERGY SYSTEMS AND ENERGY EFFICIENCY IMPROVEMENTS LOAN/GRANT PROGRAM

This program is to help **producers** and/or **rural small businesses** purchase renewable energy systems and/or make energy efficiency improvements. Grants are selected based on a nation-wide competition for funds. Guaranteed loans can be processed at any time. Technologies that are eligible for funding include: Biomass, Anaerobic Digester, Geothermal – electric generation, Geothermal – direct use, Hydrogen, Small and Large Wind, Small and Large Solar, and Energy Efficiency Improvements.

For FY 2007 there was \$176.5 million in loan guarantees and \$11.4 million in grants. Half of the grant funds were reserved for applicants that submitted a combined loan and grant request. The maximum amount for an energy systems grant is \$500,000 (not to exceed 25% of the project costs) and the maximum amount for an energy efficiency grant is \$250,000 (not to exceed 25% of the project costs).

VALUE-ADDED PRODUCER GRANT PROGRAM

This program is to help **producers** (farmers/ranchers only) of an agricultural commodity develop strategies to create marketing opportunities and to help develop business plans for viable marketing opportunities. Funds can be used for planning activities (e.g. conduct a feasibility study, develop a business plan, develop a marketing plan), or acquire working capital to operate a value-added business venture.

For this past year, there was \$19.475 million available for a nationwide competition. The maximum amount for a planning grant was \$100,000 and the maximum amount for a working capital grant was \$300,000. Matching funds are required (at least equal to the amount of grant funds requested). Please note that since this program is part of the current Farm Bill negotiation, the status for FY 2008 is unknown at this time.

If you have questions on these, or any other Rural Development programs, please contact Timothy W. O'Connell, Assistant to the State Director at (808) 933-8313 or via e-mail at tim.oconnell@hi.usda.gov.

Sincerely,

A handwritten signature in black ink that reads "Steven R. Chin" followed by a flourish.

LORRAINE P. SHIN
State Director

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<http://www.rurdev.usda.gov>

Committed to the future of rural communities

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**Renewable Energy Systems and Energy Efficiency Improvements Program (Section 9006)
FACT SHEET**

What is the Section 9006 Program?

The Farm Security and Rural Investment Act of 2002 (the Farm Bill) established the Renewable Energy Systems and Energy Efficiency Improvements Program under Title IX, Section 9006. This section directs the Secretary of Agriculture to make loans, loan guarantees, and grants to farmers, ranchers and rural small businesses to purchase renewable energy systems and make energy efficiency improvements.

Who is eligible?

- An agricultural producer (individual or entity) directly engaged in the production of agricultural products and obtains at least 50% or greater of their gross income from their agriculture business, OR
- 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>. Also, the business headquarters must be in a rural area.
 - 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 governmental 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.
- A grant applicant must have demonstrated financial need.
- Individuals must be citizens of the United States (U.S.) or reside in the U.S. after being legally admitted for permanent residence.
- Entities must be at least 51 percent owned, directly or indirectly, by individuals who are either citizens of the U.S. or reside in the U.S. after being legally admitted for permanent residence.
- If the applicant or an owner has an outstanding judgment obtained by the United States in a Federal Court (other than in the United States Tax Court), is delinquent in the payment of Federal income taxes, or is delinquent on a Federal debt, the applicant is not eligible to receive a grant until the judgment is paid in full or otherwise satisfied or the delinquency is resolved.

Project Eligibility

- For a renewable energy system or energy efficiency improvement project to be eligible to receive a grant or loan, the proposed project must:
 - be for the purchase of a renewable energy system or to make energy efficiency improvements.
 - be for a pre-commercial or commercially available, and replicable technology.
 - have technical merit.
 - be located in a rural area.
- Satisfactory sources of revenue in an amount sufficient to provide for the operation, management, maintenance, and debt service of the project must be available for the life of the project.
- Sites must be controlled by the applicant for the financing term of any associated loans.
- The applicant must be the owner of the project and control the revenues and expenses of the project, including operation and maintenance. A third-party under contract to the owner may be used to control revenues and expenses and manage the operation and/or maintenance of the project.

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How much assistance can be provided?

	Renewable Energy Projects	Energy Efficiency Improvements Projects
Description	A system that produces or produces and 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
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)	\$ 10,000,000	\$ 10,000,000
Minimum grant portion of a combined funding request	\$ 1,500	\$ 1,500

To qualify for consideration for funding, an application must meet the application requirements, technical requirements, and environmental requirements. Grants are selected based on a nation-wide competition for funds. Guaranteed loans can be processed at any time.

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. Technologies that are eligible for funding include: Biomass, Anaerobic Digester, Geothermal – electric generation, Geothermal – direct use, Hydrogen, Small and Large Wind, Small and Large Solar, and Energy Efficiency Improvements.

Eligible project costs include:

- Post-application purchase and installation of equipment, except agricultural tillage equipment and vehicles;
- Post-application construction or project improvements, except residential;
- Energy audits or assessments;
- Permit fees;
- Professional service fees, except for application preparation;
- Feasibility studies;
- Business plans;
- Retrofitting; and
- Construction of a new facility only when the facility is used for the same purpose, is approximately the same size, and based on the energy audit will provide more energy savings than improving an existing facility. Only costs identified in the energy audit for energy efficiency projects are allowed.

Funding

For FY 2007 there is \$176.5 million in loan guarantees and \$11.4 million in grants. The deadline for grant only applications has passed. The deadline for submitting guaranteed loan applications as well as for guaranteed loan/grant combinations is July 2, 2007. Since this program is part of the current Farm Bill negotiation, the status for FY 2008 is unknown at this time.

For More Information

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