House Committee on Agriculture
Farm Bill Audit

1. **Program Name**
   Biobased Markets Program (BioPreferred® program – Section 9002)

2. **Subprogram/Department Initiatives**
   None.

3. **Brief History**
   Section 9002 of the Farm Security and Rural Investment Act (2002 Farm Bill) and Section 9002 of the Food, Conservation, and Energy Act (2008 Farm Bill) established a Federal procurement preference and voluntary label for biobased products. As defined in the 2008 Farm Bill, a biobased product is "… determined by the Secretary to be a commercial or industrial product (other than food or feed) that is composed, in whole or in significant part, of biological products, including renewable domestic agricultural materials and forestry materials, or an intermediate ingredient or feedstock." Biobased products include such industrial products as cleaners, lubricants, biopolymers, building materials, insulation, roof coatings, fuel additives, and other sustainable industrial materials made from agricultural commodities.

4. **Purpose/Goals**
   The mission of the BioPreferred program is to develop and expand markets for biobased products through (1) preferred Federal procurement of biobased products government-wide and (2) a voluntary labeling program to raise consumer awareness and stimulate biobased product acquisition in the commercial sector.

5. **Success in Meeting Programmatic Purpose/Goals**
   To date, USDA has promulgated BioPreferred® program guidelines and six rounds of regulations designating categories of biobased products for preferred Federal procurement. As a result, there are now 50 designated product categories. A seventh designation rule with 14 product categories should be promulgated later this month. When Round 7 is published, 64 categories and almost 9,000 products will be approved for preferred Federal procurement. USDA promulgated the voluntary labeling rule earlier this year; and over 430 products from 150 companies have been certified to carry the USDA Certified Biobased label to date. In FY 2010, 88 percent of all applicable USDA contracts included biobased clauses or purchases, up from 80 percent in FY 2008 and 84 percent in FY 2009. In addition, there are over 20,000 biobased products and the number and types of products continue to grow.

6. **Annual Budget Authority (FY2002-FY2011)**

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
CCC Transfer	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000

Note: $2,000,000 was transferred from CCC annually to Departmental Management beginning in FY 2009 when Departmental Management took over the program from the Office of the Chief Economist.

7. **Annual Outlays (FY2002-FY2011)**

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Outlays	**(1,000,000)**	**(1,000,000)**	**(1,000,000)**	**(1,000,000)**	**(1,000,000)**	**(1,000,000)**	**(1,000,000)**	**(2,000,000)**	**(2,000,000)**	**(1,626,015)**
Balance	-	-	-	-	-	-	-	-	-	**373,985**

Note: Outlays as of July 12, 2011

8. Annual Delivery Cost (FY2002-FY2011)

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
OCE BA Transfer	**420,000**	**890,000**	**900,000**	**992,000**	**883,000**	**850,000**	**650,000**	**810,000**	**657,000**	**657,000**
Outlays	**(420,000)**	**(890,000)**	**(900,000)**	**(992,000)**	**(883,000)**	**(850,000)**	**(650,000)**	**(810,000)**	**(657,000)**	**(629,563)**
Balance	-	-	-	-	-	-	-	-	-	**27,437**

Note: A one-time transfer of $810,000 in BA was made from the Office of the Chief Economist in FY 2009. Outlays as of July 12, 2011.

9. Eligibility Criteria

Private companies ranging from very small businesses to very large businesses, which make and/or distribute biobased products, are eligible to participate in the BioPreferred voluntary labeling program. Federal agencies are required to participate in the Federal procurement preference program.

10. Utilization (Participation) Data

Over 1,600 companies currently participate in the BioPreferred program. Approximately 150 companies have products certified for the USDA Certified Biobased label.

11. Duplication or Overlap with Other Programs

There are no other programs that share the mission of the BioPreferred program.

12. Waste, Fraud, and Abuse

There have been no Office of Inspector General or General Accountability Office audits of the program conducted on the BioPreferred program in the last five years.

13. Effect of Administrative Pay-go

None.

1. **Program Name**
   Biorefinery Assistance Program (Section 9003)

2. **Subprograms/Department Initiatives**
   None.

3. **Brief History**

   The Biorefinery Assistance Program is authorized under Section 9003 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) as amended by Section 9001 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). Through the 2008 Farm Bill, the Secretary of Agriculture is directed to make available:

   - Grants to assist in paying the costs of the development and construction of demonstration-scale biorefineries to demonstrate the commercial viability of 1 or more processes for converting renewable biomass to advanced biofuels; and
   - Guarantees for loans made to fund the development, construction, and retrofitting of commercial-scale biorefineries using eligible technology.

   Because the 2008 Farm Bill and subsequent appropriations bills do not provide any funds for the grant portion of the program, only the guaranteed loan portion has been implemented to date.

   As described below, the Biorefinery Assistance Program was initially implemented through a series of notices published in the Federal Register while a rule was being developed.

   The Agency initiated that Biorefinery Assistance Program with the issuance of a Notice of Funds Availability (NOFA) on November 20, 2008. This NOFA announced the acceptance of applications for loan guarantees and the availability of $75 million of mandatory budget authority in Fiscal Year 2009 to support loan guarantees. In response to this November 20, 2008, NOFA, a loan guarantee was approved for Sapphire Energy for $54.5 million, in conjunction with a $50 million grant from the Department of Energy (DOE). In addition, a Loan Note Guarantee was issued on July 19, 2011, for a $12.8 million loan guarantee to Fremont Community Digester.

   On May 6, 2010, the Agency issued another NOFA requesting applications for Fiscal Year 2010 funds of up to $150 million in budget authority. In response to this NOFA, the Agency issued three conditional commitments to INEOS New Plant Bioenergy, LLC, for $75 million, Enerkem Corporation for $80 million, and Coskata, Inc., for $87.85 million.

   On April 16, 2010, USDA published a proposed rule on which the public was afforded the opportunity to comment. Comments were received from 42 commenters, yielding 352 individual comments on the proposed rule, which were grouped into categories based on similarity. Commenters included biorefinery owner/operators, community development groups, industry and trade associations,

investment banking institutions, Rural Development personnel, and individuals. The Agency reviewed the comments and based, in part, on those comments developed an Interim Rule, which was published on February 14, 2011.

Following the publication of the Interim Rule, the Agency issued a NOFA on March 11, 2011, announcing the availability of approximately $129 million in mandatory budget authority for Fiscal Year 2011. This level of funding supports $463 million in available program level.

A NOFA of Application Deadline was published on June 6, 2011, extending the period of time for acceptance of applications for Fiscal Year 2011 program funds until July 6, 2011. The Agency is reviewing 11 applications requesting almost $1 billion in loan guarantee support.

Farm to Fly Project

In an effort to reach the Renewable Fuel Standard (RFS2) annual renewable fuel volume targets, culminating in an overall level of 36 billion gallons in 2022, USDA is examining air transportation fuel as a key component in achieving the mandate. Twenty-one (21) million gallons of the RFS2 mandate will come from advance biofuels other than corn kernel starch ethanol, which has nearly reached the 15 billion gallons allowed under RFS2.

The purpose of this effort is to support the Administration's plan to meet the RFS2 by identifying barriers associated with availability of aviation biofuel commercialization and provide recommendations on how to best overcome these barriers. The project seeks to develop a program to fund and install commercial-scale biofuel production that will provide aviation grade fuel.

USDA/ Department of Navy Hawaii Project

The Department of the Navy (DON) plans to reduce its reliance on foreign oil to meet its energy needs and views the use of advanced biofuels as an important pathway to reach its energy security goals. The USDA and the DON have signed a Memorandum of Understanding (MOU) outlining the mutual effort to support the use of advanced biofuels and other forms of renewable energy. The State of Hawaii has been selected as a pilot for the development of a model for future mutual support for accomplishing the DON's energy goals.

4. Purpose/Goals

The 2008 Farm Bill identifies the purpose of this program as: "the development of advanced biofuels, so as to—

(1) Increase the energy independence of the United States;
(2) Promote resource conservation, public health, and the environment;
(3) Diversify markets for agricultural and forestry products and agriculture waste material; and
(4) Create jobs and enhance the economic development of the rural economy."

The program also supports Presidential Energy Independence and Security Goals:

- To Develop and Secure America's Energy Supplies
- To Provide Consumers with Choices to Reduce Costs and Save Energy, and
- To Innovate Our Way to a Clean Energy Future.

5. Success in Meeting Programmatic Purpose/Goal

To date, a total of $415.1 million has been obligated in loan guarantee authorities to leverage an estimated $1.5 billion in total project costs toward the construction and retrofitting of commercial scale advanced biofuel facilities.

When operational, these facilities are expected to produce 113 million gallons of advanced biofuels, generate 24.6 million kilowatts hours of renewable electricity, and reduce green house gas emissions by an estimated 0.6 million metric tons of carbon dioxide.

6. Annual Budget Authority (FY2002-FY2011)

Funding Levels:
The 2008 Farm Bill provided $75 million (budget authority) in FY 2009 and $245 million in FY 2010 for commercial-scale biorefinery loan guarantees. The Farm Bill also authorized discretionary funding of up to $150 million per year starting in FY 2009 and continuing through FY 2012 for both demonstration- and commercial scale biorefineries.

7. Annual Outlays (FY2002-FY2011)

The Biorefinery Assistance Program was enacted under the 2008 Farm Bill. Thus, there were no annual outlays in Fiscal Years 2002 through 2008. Annual outlays for Fiscal Years 2009 through 2011 are shown below.

FY 2009	**FY 2010**	**FY 2011**
Actual	Actual	Estimated
0	$27,000,000	$23,000,000

8. Annual Delivery Cost (FY2002-FY2011)

As noted above, the Biorefinery Assistance Program was enacted under the 2008 Farm Bill. Thus, there were no annual delivery costs in Fiscal Years 2002 through 2008. Annual delivery costs for Fiscal Years 2009 through 2011 are shown below.

	FY 2009 Amount (000)	**FY 2010 Amount (000)**	**FY 2011 Amount (000)**
Direct administrative costs	$474	$261	$261
Indirect administrative costs	$233	$671	$671

9. Eligibility Criteria

Being a guaranteed loan program, the Biorefinery Assistance Program has eligibility requirements for both borrower and lenders; it also identifies when an otherwise eligible borrower would be considered ineligible. Of these requirements, only those for eligible borrowers are specified in the 2008 Farm Bill.

A. Borrower Eligibility

Eligible borrowers. To be eligible, a borrower must meet the requirements the following requirements:

(1) The borrower must be one of the following:
- (i) An individual;
- (ii) An entity;
- (iii) An Indian tribe;
- (iv) A unit of State or local government;
- (v) A corporation;
- (vi) A farm cooperative;
- (vii) A farmer cooperative organization;
- (viii) An association of agricultural producers;
- (ix) A National Laboratory;
- (x) An institution of higher education;
- (xi) A rural electric cooperative;
- (xii) A public power entity; or
- (xiii) A consortium of any of the above entities.

(2) Each borrower must have, or obtain before loan closing, the legal authority necessary to construct, operate, and maintain the proposed facility and services and to obtain, give security for, and repay the proposed loan.

The Biorefinery Assistance Program also identifies certain conditions under which a borrower will be considered ineligible for a guarantee. These are if the borrower, any owner with more than 20 percent ownership interest in the borrower, or any owner with more than 3 percent ownership interest in the borrower if there is no owner with more than 20 percent ownership interest in the borrower:

- (1) Has an outstanding judgment obtained by the U.S. in a Federal Court (other than U.S. Tax Court),
- (2) Is delinquent on the payment of Federal income taxes,
- (3) Is delinquent on a Federal debt, or
- (4) Is debarred or suspended from receiving Federal assistance.

B. Lender Eligibility

(1) An eligible lender is any Federal or State chartered bank, Farm Credit Bank, other Farm Credit System institution with direct lending authority, and Bank for Cooperatives. These entities must be subject to credit examination and supervision by either an agency of the United States or a State. Credit unions subject to credit examination and supervision by either the National Credit Union Administration or a State agency, and insurance companies regulated by a State or National insurance regulatory agency are also eligible lenders. The National Rural Utilities Cooperative Finance Corporation is also an eligible lender. Savings

and loan associations, mortgage companies, and other lenders as identified in 7 CFR 4279.29(b) are not eligible.

(2) The lender must demonstrate the minimum acceptable levels of capital specified in paragraphs (c)(2)(i) through (c)(2)(iii) of this section at the time of application and at time of issuance of the loan note guarantee. This information may be identified in Call Reports and Thrift Financial Reports. If the information is not identified in the Call Reports or Thrift Financial Reports, the lender will be required to calculate its levels and provide them to the Agency.

(i) Total Risk-Based Capital ratio of 10 percent or higher;

(ii) Tier 1 Risk-Based Capital ratio of 6 percent or higher; and

(iii) Tier 1 Leverage Capital ratio of 5 percent or higher.

(NOTE: These three terms have the meaning given them under applicable Federal Deposit Insurance Corporation regulations.)

(3) The lender must not be debarred or suspended by the Federal government.

(4) If the lender is under a cease and desist order from a Federal agency, the lender must inform the Agency. The Agency will evaluate the lender's eligibility on a case-by-case basis given the risk of loss posed by the cease and desist order.

(5) The Agency, in its sole determination, will approve applications for loan guarantees only from lenders with adequate experience and expertise, from similar projects, to make, secure, service, and collect loans approved under this subpart.

10. Utilization (Participation) Data

To date, seven projects have been approved for Biorefinery Assistance guaranteed loans. Of the seven approved projects, one project entered into servicing and one project was de-obligated:

- **Range Fuels, Inc**. (cellulosic ethanol) – $80 million guaranteed loan approved 1/16/09. Loan closed on 2/10/10. On January 3, 2011, Range Fuels failed to make the scheduled payment for principal and interest on the Bonds. Range Fuels is current on deferred principal/interest only payments and working to find additional partners with capabilities of financial support. The Agency is reviewing a plan from the Lender outlining the potential transfer/sale.
- **SoyMor Biodiesel, LLC** (waste corn oil/distillers syrup from ethanol facilities) - $25 million application approved on 6/10/09. On September 1, 2010, RD received letter from (American Bank) stating the lender no longer qualifies as an eligible lender, having fallen below the minimum acceptable levels of capital. SoyMor was unable to obtain a new lender. The $25 million was de-obligated on 3/2/10.
- **Sapphire Energy** (algae to advanced aviation fuel) – $54.5 million guaranteed loan approved 12/03/2009. Agency continues to work with Lender to close the loan..
- **Freemont Community Digester** (anaerobic digester/will process community waste, mostly food and beverage; has a contractual arrangement to sell waste CO2) -- $12.75 million loan guarantee approved 10/15/2010. Loan closed; Agency issued a loan note guarantee on July 19, 2011.

- **Enerkem Corporation** (Cellulosic Ethanol) – $80 million guaranteed loan approved 1/4/2011.
- **INEOS New Planet BioEnergy, LLC** (Cellulosic Ethanol) – $75 million guaranteed loan approved 1/4/2011. Agency continues to work with Lender to close the loan.
- **Coskata, Inc.** (Cellulosic Ethanol) – $87.85 million guaranteed loan approved 6/3/2011. Agency continues to work with Lender to close the loan.

11. Duplication or Overlap with Other Programs?

The Biorefinery Assistance Program is not a duplicate of any other USDA program. There are no other programs that have the sole purpose of funding biorefineries involved in advanced biofuel production, and that involve the private sector on each transaction.

12. Waste, Fraud and Abuse

The Biorefinery Assistance Program is a new program enacted with the 2008 Farm Bill. No Office of Inspector (OIG) or General Accountability Office (GAO) audit of the program was conducted in the past 5 years.

13. Effect of Administrative Pay-go

None.

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1. **Program Name**
   Repowering Assistance Program (Section 9004)

2. **Subprograms/Department Initiatives**
   None.

3. **Brief History**

The Repowering Assistance Program is authorized under Section 9004 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) as amended by Section 9001 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). Through the 2008 Farm Bill, the Secretary of Agriculture is directed to "make payments to any biorefinery that meets the requirements of this section for a period determined by the Secretary." The 2008 Farm Bill provided $35 million over the life of the 2008 Farm Bill.

As described below, the Repowering Assistance Program was initially implemented through a series of notices published in the Federal Register while a rule was being developed.

The Agency initiated that Repowering Assistance Program with the issuance of a Notice of Funds Availability (NOFA) on June 12, 2009. This NOFA announced the acceptance of applications and the availability of $20 million to make payments for the conversion of biorefinery heating and power systems to renewable biomass. On May 6, 2010, the Agency issued a NOFA releasing another $8 million in budget authority for FY 2010.

On April 16, 2010, USDA published a proposed rule on which the public was afforded the opportunity to comment. Comments were received from 8 commenters, yielding 30 individual comments, which were grouped into similar categories. Commenters included biorefinery owner/operators, Rural Development personnel, trade associations, and individuals. The Agency reviewed the comments and based, in part, on those comments developed an Interim Rule, which was published on February 11, 2011.

Following the publication of the Interim Rule, a NOFA was published on March 11, 2011, to announce the availability of approximately $25 million in assistance payments.

4. **Purpose/Goals**

The purpose of the program as encouraging eligible biorefineries that use fossil fuels to produce heat or power to operate the biorefinery to replace such fossil fuels with renewable biomass

The program also supports Presidential Energy Independence and Security Goals:
- To Develop and Secure America's Energy Supplies
- To Provide Consumers with Choices to Reduce Costs and Save Energy, and

- To Innovate Our Way to a Clean Energy Future

5. Success in Meeting Programmatic Purpose/Goals

One applicant, Lincolnway Energy, LLC, received an award of $1.9 million in response to the FY 2009 funding notice. Two applications, which were recently received, are pending with the Agency and total $5.5 million. Thus, to date, approximately $7.5 million of the available $35 million for the program may be expended. The amount of energy that would be replaced at these three projects is: 983,436 dekatherms; 1,696,678 dekatherms; and 2,050 kilowatt hours per day.

6. Annual Budget Authority (FY2002-FY2011)

Funding Levels:
The 2008 Farm Bill provided $35 million to remain available until expended. The 2008 Farm Bill also authorizes additional discretionary funding of up to $15 million per year, from FY 2009 through 2012. To date, no discretionary funds have been appropriated.

	FY2009 through FY 2011
Repowering Assistance Payments	35,000,000

7. Annual Outlays (FY2002-FY2011)

The Repowering Assistance Program was enacted under the 2008 Farm Bill. Thus, there were no annual outlays in Fiscal Years 2002 through 2008. In addition, although the Agency has approved one application for payment, no outlays in Fiscal Years 2009 through 2011 have yet to be made.

8. Annual Delivery Cost (FY2002-FY2011)

Because they are both Energy Assistance Payments, the Agency tracks the Repowering Assistance Program and the Advanced Biofuel Payment Program together. Thus, the Agency does not have information on Annual Delivery Cost per program. The following table presents the Annual Delivery Cost for both program combined. Please note that because these two programs were initiated with the 2008 Farm Bill, there are no delivery costs from Fiscal Years 2002 through 2008.

Energy Assistant Payments: Repowering Assistance Payments & Bioenergy Program for Advanced Biofuels Payments			
	2009	**2010**	**2011**
Program Level	$0	$20,503	$85,000
Budget Authority	0	20,503	85,000
Administrative Costs (Direct)	418	261	248
Administrative Costs (Indirect)	196	671	639
Total Costs	614	21,435	85,887

Note: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for fiscal years 2009 through 2012 President's Budget submissions. In the table above, fiscal years 2007 through 2010 amounts are actual; fiscal year 2011 is an estimate from the fiscal year 2012 President's Budget submission.

9. Eligibility Criteria

As stated in the authorizing statute: "To be eligible to receive a payment under this section, a biorefinery shall demonstrate to the Secretary that the renewable biomass system of the biorefinery is feasible based on an independent feasibility study that takes into account the economic, technical and environmental aspects of the system." The Interim Rule requires the applicant to submit a such feasibility study that has been conducted by an independent qualified consultant, who has no financial interest in the biorefinery.

The authorizing statute also requires that the biorefinery at which the repowering project is to be implemented must have been in existence on or before June 18, 2008 (the date of the 2008 Farm Bill).

The Interim Rule also includes additional criteria for an applicant to be eligible for this program, as described below.

(1) Timely complete application submission. To be eligible for this program, the applicant must submit a complete application within the application period.

(2) Multiple biorefineries. Corporations and entities with more than one biorefinery can submit an application for only one of their biorefineries. However, if a corporation or entity has multiple biorefineries located at the same location, the entity may submit an application that covers such biorefineries provided the heat and power used in the multiple biorefineries are centrally produced. For example, a *corporation or entity may make one application, that application may include multiple projects, so long as they are served by one repowering project. Example of an acceptable application: Three plants use process heat from a single Repowering Project located on the plant site. Example of an unacceptable application: Two plants owned by the same entity are located ten miles apart and each is powered by a different system in which the applicant proposes two separate Repowering Projects to replace the two existing systems.*

(3) Cost-effectiveness. The application must be awarded at least minimum points *(at least 5 points)* for cost-effectiveness.

(4) Percentage of reduction of fossil fuel use. The application must be awarded at least minimum points *(at least 5 points)* for percentage of reduction of fossil fuel use.

(5) Full project financing. The applicant must demonstrate that it has sufficient funds or has obtained commitments for sufficient funds to complete the repowering project taking into account the amount of the payment request in the application.

In addition, a project is not eligible for this program if it is using feedstocks for repowering that are feed grain commodities that received benefits under Title I of the Food, Conservation, and Energy Act of

2008. This ineligibility provision is included to prevent payment to a feedstock that is an underlying commodity that received a payment under Title I.

10. Utilization (Participation) Data

Since the program's inception, the Agency received 10 applications for repowering assistance. The current disposition of these applications is as follows:

- 1 applicant has accepted the conditional commitment
- 2 applicants are currently under review
- 4 applicants were issued conditional commitments, but elected to withdraw their applications.
- 1 applicant accepted, but did not proceed with project implementation
- 2 applicants were determined to be ineligible

11. Duplication or Overlap with Other Programs

The Repowering Assistance Program is not a duplicate of any other USDA program. In addition, the Repowering Assistance Program does not duplicate any other Federal program, based on our understanding of those programs.

12. Waste, Fraud and Abuse

The Repowering Assistance Program is a new program enacted with the 2008 Farm Bill. No Office of Inspector (OIG) or General Accountability Office (GAO) audit of the program was conducted in the past 5 years.

13. Effect of Administrative Pay-go

None.

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Farm Bill Audit

1. **Program Name**
   Advanced Biofuel Payment Program (Section 9005)

2. **Subprograms/Department Initiatives**
   None.

3. **Brief History**

   The Advanced Biofuel Payment Program is authorized under Section 9005 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) as amended by Section 9001 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). Through the 2008 Farm Bill, the Secretary of Agriculture is directed to "make payments to eligible producers to support and ensure an expanding production of advanced biofuels."

   As described below, the Advanced Biofuel Payment Program was initially implemented through a series of notices published in the Federal Register while a rule was being developed.

   The 2008 Farm Bill provided $55 million in funding for 2009. A Notice of Contract Proposals (NOCP) for $30 million to make payments to biorefineries for the production of advanced biofuels (other than corn kernel starch) was published in the Federal Register on June 12, 2009. In December 2009, the Agency made payments to 141 producers totalling $14.7 million for FY 2009 awards. A NOCP was published on March 12, 2010, making the remaining funding from the 2009 NOCP of $15.2 million available; the application window closed on June 15, 2010. On August 18, 2010, the Agency issued another notice in the Federal Register that rescinded the March 12, 2010, notice to allow previously excluded advanced biofuel producers (i.e., those that did not meet the rural area and citizenship requirements) to apply for and receive Fiscal Year 2009 program funds. Payments for Fiscal Year 2009 were made in August and December, 2010.

   On April 16, 2010, USDA published a proposed rule on which the public was afforded the opportunity to comment. Comments were received from 1,090 commenters yielding over 165 individual comments, which were grouped into similar categories. Commenters included members of Congress, Rural Development personnel, trade associations, State agencies, universities, environmental organizations, and individuals. The Agency reviewed the comments and based, in part, on those comments developed an Interim Rule, which was published on February 11, 2011.

   A NOFA was published simultaneously with the interim rule to announce $80 million in payment assistance to eligible producers for FY 2010 production. A second notice was published to extend the application deadline until May 6, 2011. A NOFA to announce $85 million in payment assistance for FY 2011 was published on March 11, 2011. The Agency is currently reviewing the payment requests.

4. Purpose/Goals

The 2008 Farm Bill identifies the purpose of the program as providing payments to producers to support and expand production of advanced biofuels (refined from sources other than corn kernel starch.)

The program also supports Presidential Energy Independence and Security Goals:

- To Develop and Secure America's Energy Supplies
- To Provide Consumers with Choices to Reduce Costs and Save Energy, and
- To Innovate Our Way to a Clean Energy Future

5. Success in Meeting Programmatic Purpose/Goals

To date, all funds made available under this program have been either distributed or are to be distributed once final payment calculations have been made.

6. Annual Budget Authority (FY2002-FY2011)

Funding Levels:
The 2008 Farm Bill provides mandatory funding of $55 million in FYs 2009 and 2010, $85 million in FY 2011, and $105 million in FY 2012. Additionally, the 2008 Farm Bill authorizes discretionary funds of up to $25 million per year, from FY 2009 to 2012.

	2009	**2010**	**2011**
Advanced Biofuel Payment Program	$55 million	$55 million	$85 million

7. Annual Outlays (FY2002-FY2011)

The Advanced Biofuel Payment Program was enacted under the 2008 Farm Bill. Thus, there were no annual outlays in Fiscal Years 2002 through 2008.

	2009 Actual	2010 Actual	2011 Target
Advanced Biofuel Payment Program	$0	$18,547,000	$136,000,000

Note: Outlays are not a one to one correlation with Budget Authority. Some programs disburse over numerous years. Undisbursed balances are carried forward for future year outlays.

8. Annual Delivery Cost (FY2002-FY2011)

Because they are both Energy Assistance Payments, the Agency tracks the Repowering Assistance Program and the Advanced Biofuel Payment Program together. Thus, the Agency does not have information on Annual Delivery Cost per program. The following table presents the Annual Delivery Cost for both programs combined. Please note that because these two programs were initiated with the 2008 Farm Bill, there are no delivery costs from Fiscal Years 2002 through 2008.

Energy Assistant Payments: Repowering Assistance Payments & Bioenergy Program for Advanced Biofuels Payments			
	2009	**2010**	**2011**
Program Level	$0	$20,503	$85,000
Budget Authority	0	20,503	85,000
Administrative Costs (Direct)	418	261	248
Administrative Costs (Indirect)	196	671	639
Total Costs	614	21,435	85,887

Note: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for fiscal years 2009 through 2012 President's Budget submissions. In the table above, fiscal years 2007 through 2010 amounts are actual; fiscal year 2011 is an estimate from the fiscal year 2012 President's Budget submission.

9. Eligibility Criteria

As provided in the authorizing statute, to receive a payment under this program, the applicant must be an "eligible producer," which means a producer of advanced biofuels. In addition, to receive a payment under this program, an eligible producer must meet any other requirements of Federal and State law (including regulations) applicable to the production of advanced biofuels. In addition, the Interim Rule states that public bodies and educational institutions are not eligible for this program.

The Interim Rule also has eligibility requirements specific to the biofuel. For an advanced biofuel to be eligible, each of the following conditions must be met, as applicable. Notwithstanding the provisions for biofuel eligibility, flared gases are not eligible.

- The advanced biofuel must meet the definition of advanced biofuel and be produced in a State;
- The advanced biofuel must be a solid, liquid, or gaseous advanced biofuel;
- The advanced biofuel must be a final product; and
- The advanced biofuel must be sold as an advanced biofuel through an arm's length transaction to a third party.

The Interim Rule also identifies conditions under which an otherwise eligible producer will be determined to be ineligible. These conditions are, if the producer:

- Refuses to allow the Agency to verify any information provided by the advanced biofuel producer under this subpart, including information for determining applicant eligibility, advanced biofuel eligibility, and application payments;
- Fails to meet any of the conditions set out in this subpart, in the contract, or in other Program documents; or
- Fails to comply with all applicable Federal, State, or local laws.

The Agency will determine an applicant's eligibility for participation in this Program.

10. Utilization (Participation) Data

In FY 2010, 141 payments were disbursed providing $18.5 million in advanced biofuel assistance. In FY 2011, 122 payments have been disbursed to provide $11.5 million in advanced biofuel assistance. A total of $30 million in advanced biofuels payment assistance has been disbursed to date.

11. Duplication or Overlap with Other Programs

The Advanced Biofuel Payment Program is not a duplicate of any other USDA program. In addition, the Advanced Biofuel Payment Program does not duplicate any other Federal program, based on our understanding of those programs.

12. Waste, Fraud and Abuse

The Advanced Biofuel Payment Program is a new program enacted with the 2008 Farm Bill. No Office of Inspector (OIG) or General Accountability Office (GAO) audit of the program was conducted in the past 5 years.

13. Effect of Administrative Pay-go

None.

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1. Program Name

Biodiesel Fuel Education Program (Section 9006)

2. Subprograms/Department Initiatives

Section 9004 of the Farm Security and Rural Investment Act of 2002 authorized competitive grants to educate governmental and private vehicle operators, and the public about the benefits of biodiesel fuel use. Section 9001 of the 2008 Farm Bill reauthorized the program and renumbered its authorization statute as section 9006 of the 2002 Act.

The Secretary of Agriculture delegated this authority to the Department's Chief Economist, who in turn formed the Biodiesel Education Oversight Committee to direct the program. The Committee includes members from USDA's Foreign Agricultural Service, Rural Development, Office of Energy Policy and New Uses, National Institute of Food and Agriculture (NIFA), and the Department of Energy. The Committee established the initial guidelines and goals of the Program, manages the grant selection process, and monitors the progress of the Program.

3. Brief History

The 2002 Farm Bill authorized funding of $1 million per year from FY 2003 through FY 2007 for competitively awarded education grants. With guidance from NIFA, which has extensive experience in implementing grant programs and rule making, the oversight committee drafted a request for proposals, which was submitted to the Office of General Counsel for clearance in January 2003. A notice of request for applications and the proposed rule were issued in the Federal Register July, 2003. The final rule was issued September, 2003. The oversight committee selected a panel of experts from within and outside government to review the proposals, identify eligible applicants, and make recommendations to awarding officials. Two continuation grants were awarded; one to the National Biodiesel Board (NBB) and the other to the University of Idaho to implement the Program through FY 2007.

Funding was reauthorized by Section 9006 of the 2008 Farm Bill for each fiscal year from 2008 through 2012. Once again with the help of NIFA, the oversight committee drafted a request for applications that was posted in August 2008. A panel of expert reviewers was selected by the committee to review the applications that were submitted. Two continuation grants were awarded; one to the National Biodiesel Board (NBB) and the other to the University of Idaho to implement the Program through FY 2012.

4. Purpose/Goals

The purpose of the Program is to provide education to the public, government, and private entities on the benefits of biodiesel use. Education raises the awareness of the benefits of using biodiesel, resulting in a rise in consumer demand. Increasing the use of biodiesel will help the U.S. diversify its transportation fuel supply and develop new domestic sources of energy. The program includes the following goals:

- Identify and document the benefits of biodiesel, including environmental and economic benefits
- Enhance current efforts to collect and disseminate information
- Coordinate with other biodiesel programs to avoid redundancy and leverage resources
- Create a nationwide networking system that delivers consistent information
- Help insure fuel quality, fuel safety, and consumer confidence

5. Success in Meeting Programmatic Purpose/Goals

Biodiesel production was minimal in the United States when this program began in 2003, but thanks to Federal and State policy initiatives, including the Biodiesel Education Program, the industry has grown rapidly. Awareness of biodiesel among Americans has increased markedly since the Biodiesel Education Program began in 2003 -- consumer awareness of biodiesel has grown from 27 percent to 86 percent. Much progress has been made over the past several years in garnering auto, engine and equipment manufacturers support for the use of biodiesel. At the onset of the Biodiesel Education Program, most engine manufacturers were apprehensive about using biodiesel, but now nearly 60% of U.S. manufacturers support the use of biodiesel blends in at least some of their equipment.

The Program helped the biodiesel industry grow by providing information to a broad spectrum of consumers and producers, including government fleet managers, truckers, petroleum marketers, automobile companies, and health groups. Education materials have been developed, including biodiesel technical reports to help users better understand the fuel properties of biodiesel, e.g., lower greenhouse gas emissions compared to petroleum diesel. In addition, public radio and television programs demonstrating the benefits of biodiesel have been broadcasted nationally. The current grantees (the National Biodiesel Board and the University of Idaho) have become information clearing houses for biodiesel and have national reputations in providing expert guidance on producing biodiesel, maintaining fuel quality, and insuring fuel safety. Program funds have been used for organizing national conferences, conducting technical workshops, and developing partnerships with stakeholders, such as, biodiesel producers, engine manufacturers, health organizations, environmental groups, and State Department of Transportation Offices.

6. Annual Budget Authority (FY2002-FY2011)

	FY 2002 Through FY 2011 Budget Authority									
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Biodiesel Education Program	0	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000

7. Annual Outlays (FY2002-FY2011)

	FY 2002 Through FY 2011 Annual Outlays									
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Biodiesel Education Program	0	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000

8. Annual Delivery Cost (FY2002-FY2011)

The cost to NIFA for administering the program is $40,000 per year.

9. Eligibility Criteria

Eligible entities are nonprofit organizations, institutions of higher learning that have demonstrated knowledge of biodiesel production, use, and distribution. Qualified entities have demonstrated the ability to conduct educational and technical support programs.

10. Utilization (Participation) Data

Two continuation grants were awarded in 2003 to conduct the program through 2007; and two continuation grants were awarded in 2008 to conduct the program through 2012.

11. Duplication or Overlap with Other Programs

The Biodiesel Education Program is not a duplicate of other USDA programs.

12. Waste, Fraud and Abuse

There have been no Office of Inspector General or General Accountability Office audits of the program conducted on the Biodiesel Fuel Education Program in the past five years.

13. Effect of Administrative Pay-go

None.

House Committee on Agriculture
Farm Bill Audit

1. **Program Name**
   Rural Energy for America Program (Section 9007)

2. **Subprograms/Department Initiatives**
   None.

3. **Brief History**

   Section 9006, Title IX, of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) established the Renewable Energy Systems (RES) and Energy Efficiency Improvements (EEI) Program. On October 5, 2004, the Agency proposed a loan and grant program for renewable energy systems and energy efficiency improvements under Section 9006 of the 2002 Farm Bill. Based on comments received, the Agency developed a final rule, which was promulgated on July 18, 2005. This rule established the RES and EEI program for making grants, loan guarantees, and direct loans to farmers and ranchers (agricultural producers) and to rural small businesses to purchase renewable energy systems and make energy efficiency improvements. Funds were never authorized for the direct loan program, such that the Agency never implemented the direct loan portion of the program.

   Subsequent to the 2002 Farm Bill, Congress passed the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), which amended Title IX of the 2002 Farm Bill. Under the 2008 Farm Bill and Section 9007 of the amended 2002 Farm Bill, the Agency was authorized to continue providing to agricultural producers and rural small businesses loan guarantees and grants for the development and construction of RES and EEI projects. In addition to the current set of renewable energy projects eligible for funding (i.e., bioenergy, anaerobic digesters, electric geothermal, direct geothermal, solar, hydrogen, and wind), the 2008 Farm Bill expanded the program to include two new renewable energy technologies: hydroelectric and ocean energy. Further, the 2008 Farm Bill authorized the Agency to provide grants specifically for energy audits, renewable energy development assistance, and RES feasibility studies.

   As provided in the 2008 Farm Bill, the expanded program is referred to as the Rural Energy for America Program (REAP), which continues the Agency's assistance to the adoption of both renewable energy systems and energy efficiency improvements through Federal government loan guarantees and grants.

   REAP has been operating since 2005 under 7 CFR part 4280, subpart B, and, since the 2008 Farm Bill, through a series of Federal Register notices implementing the provisions in the 2008 Farm Bill for RES feasibility studies, energy audits, and renewable energy development assistance. For the RES feasibility studies, these notices were published on May 26, 2009 (74 FR 24769) and August 6, 2010 (75 FR 47525).

   A Notice of Solicitation of Applications (NOSA) soliciting applications for about $2.2 million in grants for Energy Audits and Renewable Energy Development Assistance was published in the Federal Register on March 11, 2009. A NOSA for the remaining portion of the $60 million available for FY 2009 was published in the Federal Register on May 26, 2009. This funding was used for guaranteed

loans and grants for a wide range of energy efficiency improvements and renewable energy systems and feasibility studies.

The Agency published a NOSA to solicit applications for the purchase of renewable energy systems and to make energy efficiency improvements in the Federal Register on April 26, 2010. A separate Notice of Funding Availability (NOFA) for $2.4 million in funding to conduct Energy Audits and Renewable Energy Development Assistance was published in the Federal Register on May 27, 2010.

An Interim Rule was published on April 14, 2011. The Interim Rule established a consolidated REAP program by including each part of the program in a single subpart. The Agency also published on April 14, 2011, a NOFA announcing the availability of $70 million in mandatory budget authority for FY2011 grants and guaranteed loans for renewable energy systems (including flexible fuel pumps) and energy efficiency improvements. A NOFA announced an additional $5 million in REAP discretionary budget authority is pending.

Flex Fuel Infrastructure Project

The Rural Business and Cooperative Service (RBS) launched the FY11 REAP program making Flexible Fuel Pumps Eligible for funding through an annual notice of funding availability (NOFA). Dispensers, tanks, components and labor are eligible project costs. The application window closed for energy programs on June 15th and for feasibility support on June 30th.

The purpose of this effort is to support the investment, and infrastructure necessary to implement a nationwide biofuels industry. The scope of the project is to establish the necessary infrastructure for ethanol fuel by supporting the development and deployment of flex fuel pumps to meet increasing demand.

Anaerobic Digesters/Dairy Innovation Center Initiative

The Anaerobic Digesters Project Team has, with the help of EPA's AgStar, developed a complete list of USDA programs that can be used to support the Dairy MOU Agreement.

The Anaerobic Digester team is currently reviewing Renewable Energy System applications and Feasibility grant applications under REAP and awards should be delivered in the coming months. The purpose of this project is to embark on a campaign to promote the development of anaerobic digesters on dairy farms. The scope of the project is to focus on applying REAP funding for anaerobic digesters and digester feasibility studies to fulfill the 2009 Memorandum of Understanding (MOU) between Dairy Innovation Center and USDA.

4. Purpose/Goals

The purpose of the renewable energy system and energy efficiency improvements portion of the program is to provide financial assistance, in the form of loan guarantees and grants, to agricultural producers and rural small businesses to purchase and install renewable energy systems and make energy-efficiency improvements. REAP funds can be used for renewable energy systems including wind, solar, biomass, geothermal sources, or that produce hydrogen from biomass or water using

renewable energy, and ocean and hydroelectric source technologies. Energy-efficiency projects typically involve installing or upgrading equipment to significantly reduce energy use.

The purpose of the Energy Audits, and Renewable Energy Development Assistance portion of REAP is to provide financial assistance to such entities as units of State, tribal, and local governments and land-grant colleges and universities, among others, in the form of grants, to assist agricultural producers and rural small businesses to become more energy efficient; and to use renewable energy technologies and resources.

The purpose of the Feasibility Studies portion of REAP is to provide assistance, in the form of grants, to an agricultural producer or rural small business to conduct a feasibility study for a project for which assistance may be provided under REAP.

The program also supports Presidential Energy Independence and Security Goals:

- To Develop and Secure America's Energy Supplies
- To Provide Consumers with Choices to Reduce Costs and Save Energy, and
- To Innovate Our Way to a Clean Energy Future

5. Success in Meeting Programmatic Purpose/Goals

Energy Division, Energy Investments, Fiscal Years 2003-10, with Performance Measures

7/14/2011

Fiscal Year	Projects	Guaranteed Loans Only (millions)	Combination Guaranteed Loans and Grants (millions)	Grant Only (millions)	Jobs Saved-Created	Businesses Assisted	Energy Saved/ Generated (1,000 kWh)	Btu Equivalent* (1,000 Btu)	GHG Reduced** (metric tons of CO2)
2003	114			$ 21.2	736	108	974,320	3,324,517	979,408
2004	163			$ 22.7	411	186	503,645	1,718,507	642,599
2005	158	$ 10.1		$ 22.2	289	103	589,771	2,012,381	611,455
2006	412	$ 24.2		$ 21.2	1,357	285	997,133	3,402,359	1,303,951
2007	436	$ 47.5	$ 18.1	$ 10.8	2,122	331	1,956,390	6,675,479	1,968,525
2008	764	$ 0	$ 30.2	$ 19.6	1,797	537	2,438,378	8,320,092	2,642,665
2009	1,557	$ 8.5	$ 76.8	$ 26.6	5,894	2,922	1,407,832	4,803,523	1,589,570
2010	2,400	$ 9.7	$ 98.4	$ 51.1	2,311	5,107	2,958,404	9,508,310	3,255,490
Totals	6,004	$ 99.9	$ 223.5	$ 196.0	14,917	9,579	11,825,872	39,765,167	12,993,664

*1 kWh = 3,412.1416 Btu

** No CO2 was sequestered with these activities.

6. Annual Budget Authority (FY2002-FY2011)

Funding Levels:
The 2008 Farm Bill provides mandatory allocations of $55 million for FY 2009, $60 million for FY 2010, and $70 million for FYs 2011 and 2012. The 2008 Farm Bill also authorizes additional discretionary funds of up to $25 million per year, from FY 2009 through 2012. The 2010 Appropriation Act provided $39 million in funding for grants and loan guarantees in addition to the $60 million of Farm Bill mandatory funding.

Funds Available in FY 2011: $70 million in mandatory authority
$5 million in discretionary authority

7. Annual Outlays (FY2002-FY2011)

2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
$16,416,000	**$16,821,000**	**$26,685,000**	**$59,578,000**	**$76,000,000**

Note: Actual disbursements percentages based on obligation.

8. Annual Delivery Cost (FY2002-FY2011)

BUSINESS AND COOPERATIVE PROGRAMS
Full Cost by Department Strategic Goal

Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating and Economically Thriving.

	PROGRAM ITEMS	2007 AMOUNT ($000)	2008 AMOUNT ($000)	2009 AMOUNT ($000)	2010 AMOUNT ($000)	2011 AMOUNT ($000)
Rural Energy for America Loans and Grants						
	Program Level 2/	$49,806	$333,644	$524,664	$66,238	$7,877
	Budget Authority	35,748	60,000	128,130	39,325	4,990
	Administrative Costs (Direct)				1,127	1,172
	Administrative Costs (Indirect)				2,897	3,014
	S&E	6,931	8,999	9,782		
	Total Costs	42,679	68,999	137,912	43,349	9,176
	FTEs	62	80	84	34	34
	Performance measure:					
	mKWH produced (in Millions)					
	Target:	680	1,725	3,029	1,183	148
	Cost per Measure (unit cost)	62.76	40.00	45.53	36.64	62.00
Rural Energy for America Loans and Grants - Mandatory						
	Program Level 2/				$93,088	$109,200
	Budget Authority				56,959	70,000
	Administrative Costs (Direct)				1,690	1,758
	Administrative Costs (Indirect)				4,346	4,521
	Total Costs				62,995	76,279

2/ Guaranteed Renewable Energy Loans and Grants funding contingent on Farm Bill for FY 2009.
Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for fiscal years 2009 through 2012 President's Budget submissions. In the table above, fiscal years 2007 through 2010 amounts are actual; fiscal year 2011 is an estimate from the fiscal year 2012 President's Budget submission.

9. Eligibility Criteria

Under REAP, there are applicant eligibility and project eligibility criteria for each of the grant programs, while there are borrower eligibility, lender eligibility, and project eligibility for the guaranteed loan program.

Renewable Energy System or Energy Efficiency Improvement Grant

Applicant Eligibility. As required by the authorizing statutue, to receive a Renewable Energy System or Energy Efficiency Improvement Grant under this subpart, an applicant must be an agricultural producer or rural small business.

Project Eligibility. For a renewable energy system or energy efficiency improvement project to be eligible to receive a RES or EEI grant under this subpart, the proposed project must meet the following criteria, as applicable:

- The project must be for the purchase of a renewable energy system or to make energy efficiency improvements. Energy efficiency improvements to existing renewable energy systems are eligible energy efficiency improvement projects.
- The project must be for a pre-commercial or commercially available, and replicable technology.
- The project must have technical merit.
- The facility for which the project is being proposed must be located in a rural area in a State if the type of applicant is a rural small business, or in a rural or non-rural area in a State if the type of applicant is an agricultural producer. If the agricultural producer's facility is in a non-rural area, then the application can only be for renewable energy systems or energy efficiency improvements on integral components of or that are directly related to the facility, such as vertically integrated operations, and are part of and co-located with the agriculture production operation.
- The applicant must have a place of business in a State.
- 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.
- Sites must be controlled by the agricultural producer or rural small business for the financing term of any associated Federal loans or loan guarantees.
- 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.
- For the purposes of this subpart, only hydropower projects with a rated power of 30 megawatts or less are eligible. The Agency refers to these hydropower sources as "small hydropower," which includes hydropower projects commonly referred to as "micro-hydropower" and "mini-hydropower."

- The project has demonstrated technical feasibility.

In addition to these requirements, no renewable energy system or energy efficiency improvement, or portion thereof, can be used for any residential purpose, including any residential portion of a farm, ranch, agricultural facility, or rural small business. However, an applicant may apply for funding for the installation of a second meter or provide certification in the application that any excess power generated by the renewable energy system will be sold to the grid and will not be used by the applicant for residential purposes.

Renewable Energy System or Energy Efficiency Improvement Guaranteed Loan

Borrower Eligibility. To receive a Renewable Energy System or Energy Efficiency Improvement Guaranteed Loan, a borrower must meet the same requirements as for the RES/EEI grant program**.**

Project Eligibility. The requirements are the same as for RES/EEI grants except that guaranteed loan funds may be used for necessary capital improvements to an existing renewable energy system. In addition, the grant provision concerning residential purposes does not apply.

Lender Eligibility. An eligible lender is any Federal or State chartered bank, Farm Credit Bank, other Farm Credit System institution with direct lending authority, Bank for Cooperatives, or Savings and Loan Association. These entities must be subject to credit examination and supervision by either an agency of the United States or a State. Eligible lenders may also include credit unions provided, they are subject to credit examination and supervision by either the National Credit Union Administration or a State agency, and insurance companies provided they are regulated by a State or National insurance regulatory agency. Eligible lenders include the National Rural Utilities Cooperative Finance Corporation.

Renewable Energy System Feasibility Study Grants

Applicant Eligibility**.** As required by the authorizing statute, to be eligible for a renewable energy system feasibility study grant, the applicant must be an agricultural producer or a rural small business. In addition, the Interim Rule requires the applicant to be the prospective owner of the renewable energy system for which the feasibility study grant is sought.

Project Eligibility. Only renewable energy system projects that meet the requirements specified in this section are eligible for feasibility study grants under this subpart. The project for which the feasibility study grant is sought shall:

- Be for the purchase, installation, expansion, or other energy-related improvement of a renewable energy system located in a State;
- Be for a facility located in a rural area if the applicant is a rural small business, or in a rural or non-rural area if the applicant is an agricultural producer. If the agricultural producer's facility is in a non-rural area, then the feasibility study can only be for a renewable energy system on integral components of or directly related to the facility, such as vertically integrated operations, and are part of and co-located with the agriculture production operation;
- Be for technology that is pre-commercial or commercially available, and that is replicable;

- Not have had a feasibility study already completed for it with Federal and/or State assistance; and
- The applicant has a place of business in a State.

Energy Audit and Renewable Energy Development Assistance Grants

Applicant Eligibility. To be eligible for an energy audit grant or a renewable energy development assistance grant, the applicant must meet each of the following criteria:

- The applicant must be, as required by the authorizing statute, one of the following:
    - A unit of State, tribal, or local government;
    - A land-grant college or university, or other institution of higher education;
    - A rural electric cooperative;
    - A public power entity; or
    - An instrumentality of a State, tribal, or local government.
- The applicant must have sufficient capacity to perform the energy audit or renewable energy development assistance activities proposed in the application to ensure success. The Agency will make this assessment based on the information provided in the application.
- Each applicant must have, or obtain, the legal authority necessary to carry out the purpose of the grant.

Project Eligibility. To be eligible for an energy audit or a renewable energy development assistance grant, the grant funds for a project must be used by the grant recipient to assist agricultural producers or rural small businesses located in a State in one or both of the purposes specified in paragraphs (a) and (b), and must also comply with paragraphs (c) through (e), and, if applicable, paragraph (f).

(a) Grant funds may be used to conduct and promote energy audits that meet the requirements of the energy audit as defined in this subpart.

(b) Grant funds may be used to conduct and promote renewable energy development assistance by providing to agricultural producers and rural small businesses recommendations and information on how to improve the energy efficiency of their operations and to use renewable energy technologies and resources in their operations.

(c) Energy audit and renewable energy development assistance can be provided only to a facility located in a rural area unless the owner of such facility is an agricultural producer. If the facility is owned by an agricultural producer, the facility for which such services are being provided may be located in either a rural or non-rural area. If the agricultural producer's facility is in a non-rural area, then the energy audit or renewable energy development assistance can only be for a renewable energy system or energy efficiency improvement on integral components of or directly related to the facility, such as vertically integrated operations, and are part of and co-located with the agriculture production operation.

(d) The energy audit or renewable energy development assistance must be provided to a recipient in a State.

(e) The applicant must have a place of business in a State.

(f) For the purposes of this subpart, only small hydropower projects are eligible for energy audits and renewable energy development assistance. Per consultation with the U.S. Department of Energy, the Agency is defining small hydropower as having a rated power of 30 megawatts or less, which includes hydropower projects commonly referred to as "micro-hydropower" and "mini-hydropower."

10. Utilization (Participation) Data

Since its inception, utilization of REAP has grown each year, except in 2008 when fewer funds were made available to the program. Program utilization and growth are illustrated in the following figures and table.

REAP Utilization - Fiscal Years 2003-2010

Fiscal Year	Projects	Guaranteed Loans Only	Combinations – Grants and Guaranteed Loans	Grant Only	Grant Totals
2003	114			$21,707,233	$21,707,347
2004	163			$22,692,325	$22,692,488
2005	158	$10,100,000		$22,237,267	$32,337,425
2006	412	$24,158,882		$21,209,435	$45,368,729
2007	436	$47,500,000	$18,114,430	$10,782,434	$76,397,300
2008	764	$0	$30,172,387	$19,633,418	$49,806,569
2009	1,557	$8,451,638	$76,782,101	$26,625,502	$111,860,797
2010	2,400	$9,675,613	$98,395,192	$51,117,265	$159,190,470
TOTAL	**6,004**	**$99,886,133**	**$223,464,110**	**$196,004,879**	$519,361,125

Note: All numbers in this table represent Program Level.

11. Duplication or Overlap with Other Programs

There are four other programs within USDA under which certain types of energy projects may be financed. These are the Value-Added Producer Grant (VAPG) program, Community Facilities, Business and Industry Program, and the Environmental Quality Incentives Program (EQIP).

The project eligibility category related to renewable energy under the VAPG program was set by the 2008 Farm Bill and states that a Value-Added Agricultural Product is "a source of farm- or ranch-based renewable energy, including E-85 fuel." Thus, the VAPG can provide funds to a limited set of energy-related projects - where an agricultural commodity is used to generate renewable energy on a farm or ranch owned or leased by the independent producer applicant that produces the agricultural commodity. On-farm generation of energy from wind, solar, geothermal, or hydro sources are not eligible for VAPG.

Because of the differences in eligible entities, there is little overlap with the Community Facility program.

The Business and Industry (B&I) Program provides guaranteed loans to a wide range of projects, including energy projects. There have been a number of projects financed under the B&I Program that could have been financed under REAP.

While NRCS also offers energy audits through the EQIP, the agencies have entered into an agreement to avoid duplication by cross-checking the locations and recipients of energy audits.

Beyond these few programs, REAP does not overlap or duplicate of any other USDA program. The Department of Energy's Energy Efficiency and Renewable Energy program offers financial assistance for biorefineries, geothermal technologies, hydrogen technologies, solar, wind, and hydropower. The focus of these programs is mainly on research and development for these technologies (e.g., to improve the efficiency of power generated through wind). With regard to biorefineries, USDA/RBS through its guaranteed loan program has co-funded several biorefinery projects that use DOE grant funds, however these programs work in a complementary manner to provide support for this nascent industry.

12. Waste, Fraud and Abuse

No Office of Inspector (OIG) or General Accountability Office (GAO) audit of the program was conducted in the past 5 years.

13. Effect of Administrative Pay-go

None.

House Committee on Agriculture
Farm Bill Audit

1. **Program Name:**
   Biomass Research and Development Initiative Program (BRDI)
2. **Subprograms/Department Initiatives**
   None.

3. **Brief History**

   Section 9001(a) of the Food, Conservation, and Energy Act of 2008 (FCEA) (Pub. L. 110-246), re-authorized the Biomass Research and Development Initiative (BRDI) competitive grants program by amending section 9008 of the Farm Security, and Rural Investment Act of 2002 (2002 Farm Bill), as amended, (Pub. L. 107-171) (7 U.S.C. 8108). Collaboration between DOE and USDA on BRDI is directed under section 9008(e)(1) of the 2002 Farm Bill, as amended.

4. **Purpose/Goals**

   Both DOE and USDA have been given responsibility to support the development of a biomass-based industry in the United States. The objectives of this responsibility are specified in section 9008(e) of FSRIA, as amended, which requires the development of: (a) technologies and processes necessary for abundant commercial production of biofuels at prices competitive with fossil fuels; (b) high-value bio-based products to enhance the economic viability of biofuels and biopower, to serve as substitutes for petroleum-based feedstocks and products, and to enhance the value of coproducts produced using the technologies and processes; (c) a diversity of economically sustainable domestic sources of renewable biomass for conversion to biofuels, bioenergy, and bio-based products; and (d) use of waste streams to reduce environmental footprint or impact, niche, opportunity to improve economics of conversion processes and enhance the economic viability of the production facility. The 2002 Farm Bill then stipulates several programmatic requirements that are intended to help ensure that goals (a)-(d) above are accomplished. These requirements include:

   - Distribution of funding among three technical areas (minimum 15% of funds per area):
     - Feedstock Development
     - Biofuels and Biobased Product Development
     - Biofuels Development Analysis
   - Cost Share: 20% of total project costs for Research and Development and 50% for Demonstration projects
   - Multi-institution and multi-disciplinary consortia awards
   - Geographic distribution of awards

5. **Success in Meeting Programmatic Purpose**

USDA has executed the BRDI Program as prescribed by 2002 Farm Bill and subsequently the Program is meeting the research, development, and demonstration needs of the emerging market. The BRDI Program has always maintained the minimum 15% distribution of program funds across the three legislated technical areas as shown in Table 1.

Table 1. Funding Distribution by Technical Area FY 2003-2010

Technical Area Distribution	Distribution	% Distribution
Feedstock Development	$35,625,430	27%
Biofuels and Bioproduct Development	$73,646,642	56%
Biofuels Development Analysis	$23,241,965	18%

The trend in funding distribution, as shown in Figure 1 is toward a convergence of emphasis on both feedstock development and appropriate conversion technologies. BRDI has the flexibility to allow the balance of investment to shift toward technical challenges of increasing importance in the market. The availability and densification of biomass is key to the growing bioeconomy.

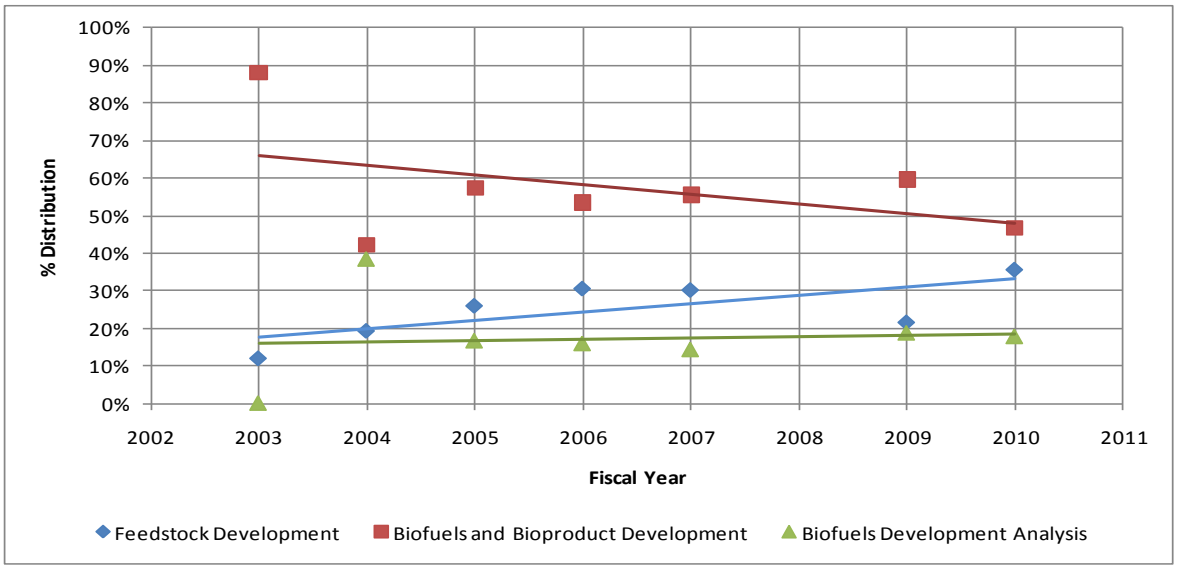

Figure 1. Trends in Technical Area Investment

The BRDI Program has also been effective in developing multi-institutional and multi-disciplinary consortia awards, as required in the legislation, as a means of increasing technology transfer and commercialization. Over its eight year history, BRDI awards have averaged over four collaborating organizations per award. In FY 2010, BRDI awards averaged over six collaborating organizations as the Program now allows larger and more comprehensive grant opportunities. The Program also supports a diversity of types of organizations in terms of project leaders and project collaborators. Table 2 demonstrates that while BRDI project leadership is dominated by Academia and Small Business, the Program fosters balanced collaboration among different types of organizations, indicating a high level of interdisciplinary work.

Table 2. Project Lead and Collaborator Type Distribution (2002-2010)

	Project Lead Type*	Collaborator Type†
NGO	12%	17%
Academia	43%	28%
Small Business	29%	27%
Industry	9%	11%
Federal	7%	13%
State	1%	4%
* distribution based on funding ammount		
† distribution based on the count of collaborator types		

BRDI awardees have contributed 32% of total program funding as cost share since the program's inception in 2002. BRDI program funds have been used to leverage over $61 M over the life of the Program.

Program awards have also been geographically diverse. Each year the Program touches more than 18 states and in FY 2010 there were three states per award. The Program is beginning to be effective in creating extremely dynamic regional and national consortia to address our Nation's energy demand. Figure 2 illustrates the geographic distribution of BRDI awards.

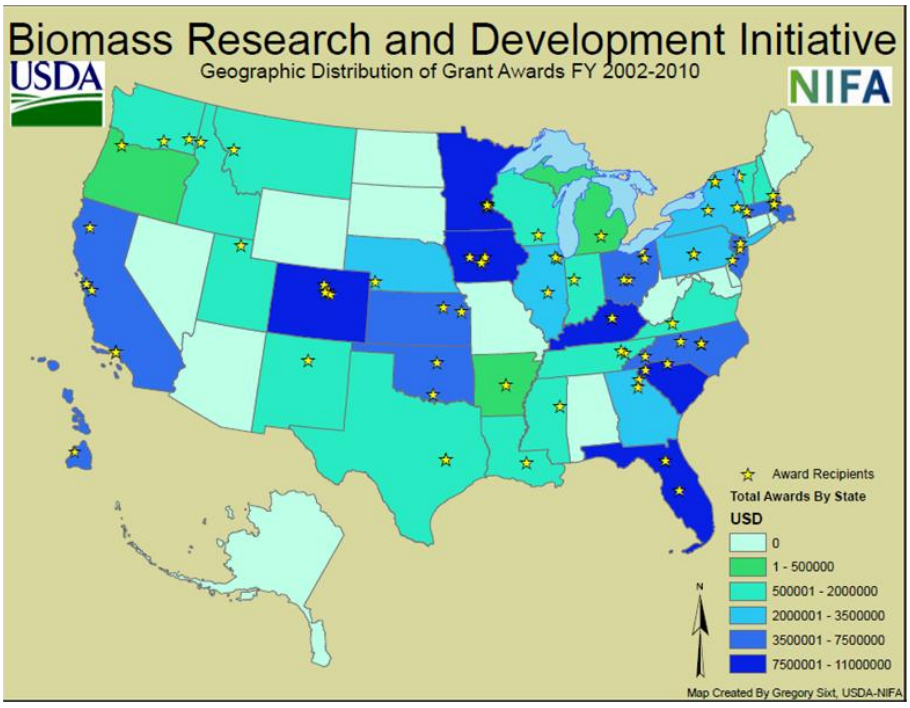

Figure 2. BRDI Geographic Distribution FY 2002-2010

Since FY 2009, USDA has placed increased emphasis on technology commercialization by offering larger and more comprehensive grants that are intended to allow awardees to address challenges throughout the life-cycle of their technologies. In the early years of the BRDI Program, grants were more focused and intended to address specific technical challenges and new product development issues.

The Program now requires awardees to develop new products and technologies in the context of the supply chain and target markets; therefore, projects must address all three technical areas. Additionally, the program has adopted an overarching theme of sustainability, requiring awardees to address the environmental, economic and social implications of the technology throughout its life cycle. The intent of larger, comprehensive projects is to move technologies to commercialization more quickly, and to ensure the technologies have a positive impact on markets, the environment, and rural development.

Examples of successful projects:

Adding Value to Commercial Polymers through the Incorporation of Biomass Derived Chemistries (Iowa Corn Promotion Board)

- The BRDI Program supported projects to develop isosorbide- based polymers in FY 2002 and again in FY 2006.
- The Iowa Corn Promotion Board has been developing this technology not only in collaboration with USDA, but also with DOE, General Electric, and others.
- Several major end users and customers are working to commercialize the technology and have had success in developing isosorbide as a replacement for bisphenol A, in the epoxy market, and as an additive for PET hot fill bottles.

Biomass Gasification: A Comprehensive Demonstration of a Community-Scale Biomass Energy System (University of Minnesota – Morris)

- The project team constructed the Morris Gasification Plant to generate combined heat and power for the University and the Morris community using locally sourced biomass.
- The project overcame significant technological barriers in testing and selecting the appropriate feedstocks to power the community. The project tested corn stover, corn cobs, prairie grass, soybean residue, wheat straw, and wood each with appropriate densification techniques. Corn cobs were determined to be the most viable and sustainable feedstock for the Morris community.
- Emissions permits and appropriate densification technology will be secured by the Fall of 2011 to initiate ongoing gasification plant operation.
- The University and its partners developed an extensive outreach and education component to the project, which includes a web-portal that reports real-time facility performance monitoring so that students and the community can access information and understand their energy usage on a daily basis. The project also generated an undergraduate Renewable Energy curriculum, three K-12 modules, 14 student research projects, 32 conference presentations, and over 200 community and regional presentations.

Evaluation of the feasibility of sustainably achieving President's Biofuel production goals (University of California - Santa Barbara)

- University of California-Santa Barbara is designing a dynamic tool to evaluate the feasibility of meeting renewable fuel production goals in a sustainable manner.

- Tool embodies an innovative combination of scenario development, system dynamics modeling, Geographic Information System (GIS), Life Cycle Costing (LCC) and Life Cycle Assessment (LCA).
- Results have been used to inform the United Nations Environmental Program (UNEP), International Panel for Sustainable Resources, Biofuel Working Group report, "***Towards Sustainable Production and Use of Resources: Assessing Biofuels."***
    - http://www.unep.fr/scp/rpanel/pdf/assessing_biofuels_full_report.pdf
    - http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=599&ArticleID=6347&l=en&t=long

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
6. Annual Budget Authority*								20,000	28,000	30,000
7. Annual Outlays										
8. Annual Delivery Cost										

***In addition to mandatory funding, $35M/yr is authorized for appropriation FY 2008-2012**

Note: This program has only been operated in its current form starting in FY2009.

9. Eligibility Criteria

Eligible entities per section 9008(e)(5) of the 2008 Farm Bill, as amended (7 U.S.C. 8108(e)(5)) include: (A) an institution of higher education; (B) a National Laboratory; (C) a Federal research agency; (D) a State research agency; (E) a private sector entity; (F) a nonprofit organization; or (G) a consortium of 2 or more entities described in subparagraphs (A) through (F).

10. Utilization (Participation) Data

Since 2003 the BRDI Program has been one of the most competitive Federal grant programs. The annual success rate (of applications funded) has always been less than 5%, In fact, in FY 2009 USDA and DOE received over 800 pre-applications and made 9 awards; a success rate of 1%. In FY 2010, the Program success rate remained low at 1.6%. While the low success rate indicates that there is tremendous demand for Biomass energy research, development, and demonstration, the competition through NIFA's rigorous peer-review process has ensured projects of extraordinary quality.

11. Duplication or Overlap with Other Programs

There is no duplication or overlap with other programs. BRDI supports projects in the applied/developmental and demonstration phases of development.

12. Waste, Fraud and Abuse

There have been no Office of Inspector General or General Accountability Office audits of the program conducted on the Biomass Research and Development Initiative Program in the past five years.

13. Effect of Administrative Pay-go

None.

House Committee on Agriculture
Farm Bill Audit

1. Program Name
Feedstock Flexibility Program (FFP – Section 9010)

2. Subprograms/Department Initiatives

The Feedstock Flexibility (or "sugar-to-ethanol) Program (FFP) was first authorized under the 2008 Farm Bill. USDA has not implemented this program because the sugar market conditions required for its operation have not yet occurred. FFP requires the Commodity Credit Corporation (CCC) to purchase domestic sugar when U.S. supplies are large and forfeitures are threatened under the sugar price support loan program. Under the FFP, CCC will sell the surplus sugar to bioenergy producers for use as a fuel feedstock. However, the U.S. sugar market has been undersupplied since the program was authorized. Domestic sugar prices have been significantly above the program support level and there has been no threat of price support loan forfeitures, preempting program operation. The FFP language also includes a prohibition on the sale of CCC sugar for human consumption.

3. Brief History

CCC operated a sugar for ethanol program in the early 2000s as one of many outlets for the million-ton CCC sugar inventory acquired when the sugar market crashed in 2000. FSA sold 10,000 tons of sugar to the highest-bidding ethanol producers in multiple auctions. All of the purchasers mixed sugar into corn prior to fermentation. Ethanol producers only bid an average of 4 cents per pound for the sugar, which the CCC had acquired at an average of 22 cents per pound. These ethanol producers bid less than the energy value of the sugar, citing the experimental nature of the process, the lack of a guaranteed future supply, the requirement of a material handling investment and other factors. In addition, the CCC sold over a hundred thousand tons for human consumption in 2003, when prices were at higher levels, at almost no loss to the CCC. (Sales for human consumption are no longer an option under the FFP language, as noted above.)

4. Purpose/Goals

The purpose of the FFP is to prevent the accumulation of government-held stocks of sugar that impede price recovery. This was the situation after the sugar market crash of 2000, when ending stocks were over 20 percent of annual use, with CCC owning more than half of that total. Normal carryover is 14-15 percent of annual use.

5. Success in Meeting Programmatic Purpose/Goals
Not applicable, as there has been no need to activate the program.

6. Annual Budget Authority (FY2002-FY2011)
Not applicable.

7. Annual Outlays (FY2002-FY2011)

Outlays are zero over the FY 2002-FY 2011 time horizon, for the reasons discussed above.

8. Annual Delivery Cost (FY2002-FY2011)
Delivery costs are zero over the FY 2002-FY 2011 time horizon, for the reasons discussed above.

9. Eligibility Criteria
The FFP regulation is under development.

10. Utilization (Participation) Data
The FFP has not been implemented.

11. Duplication or Overlap with Other Programs
No overlap anticipated.

12. Waste, Fraud and Abuse
The FFP has not been implemented.

13. Effect of Administrative Pay-go
None.

House Committee on Agriculture
Farm Bill Audit

1. Program Name:
Biomass Crop Assistance Program (BCAP – Section 9011)

2. Subprograms/Department Initiatives

BCAP has two components:
- Establishment and annual payments for production of new biomass crops (Project Areas); and
- Matching payments for the collection, harvest, storage and transportation (CHST)of existing biomass.

3. Brief History

BCAP was authorized by the 2008 Farm Bill. On June 11, 2009, a Notice of Funds Availability (NOFA) was published to make available matching payments for the collection, harvest, storage, and transportation of eligible material for conversion to bioenergy at biomass conversion facilities. The 2008 Farm Bill provides "such sums as necessary" for BCAP. However, subsequent appropriation acts have capped the amount of funding available. The Department of Defense and Full-Year Continuing Approriations Act of 2011, enacted on April 14, 2011, limits funding for BCAP to $112 million in FY 2011.

In February 2010, a proposed rule was published in the Federal Register which also terminated the NOFA. Over 24,000 comments were received.

On October 27, 2010, a final rule was published and by January 2011, three qualified biomass conversion facilities were approved and matching payments for herbaceous materials were authorized.

For the project area component of BCAP, proposals could be submitted beginning October 27, 2011. With the enactment of funding limitations on April 14, 2011, FSA announced on April 20, 2011 that project proposals could be submitted no later than May 27, 2011, to be considered for FY 2011 funding. Over 40 project area proposals were received by the deadline. The proposals outlined projects that would support the establishment and production of 1.5 million acres of dedicated energy crops requesting more than $1 billion. The range of feedstock proposed included camelina, algae, short rotation woody crops, grasses, energy cane, kenaf, and sweet sorghum.

The first approved project area is located in a thirty-nine county area in central and western Missouri and eastern Kansas and supports the establishment of mixtures of perennial native grasses and forbs, such as Switchgrass, Big Bluestem, Illinois Bundleflower and Purple Prairie Clover. Additionally, the project allows enrollment of existing suitable stands of native grasses, legumes and forbs; existing native grass stands can be located on expired Conservation Reserve Program (CRP) fields. The target enrollment for 2011 is 20,000 acres of cropland and other agricultural land with targeted crops within the approved area surrounding the biomass conversion facility. When fully enrolled, this project area may have up to 50,000 acres, producing roughly 3 tons of biomass per acre per year, or a total of

150,000 tons per year from land enrolled in BCAP contracts. FSA has allocated about $15 million for implementation of this project area in FY 2011.

Other project areas will support production of the perennial miscanthus giganteus (Giant Miscanthus) for energy biomass. Only the planting of rhizomes of the "Illinois Clone," a sterile cultivar of Giant Miscanthus, is authorized for these project areas.

One of the projects is located within Clay, Craighead, Greene, Jackson, Lawrence, Mississippi, Poinsett, and Randolph counties in the State of Arkansas. FSA has allocated about $5.2 million for implementation of this project area in FY 2011. The target for enrollment in FY 2011 is 5,588 acres. This biomass may be used to produce pellets that may be co-fired.

Another project area is located within Audrain, Boone, Callaway, Cole, Cooper, Howard, Moniteau, Monroe, and Randolph counties in the State of Missouri. FSA has allocated about $3.5 million for implementation of this project area in FY 2011. The target for enrollment in FY 2011 is 3,000 acres.

Another project area is located within Barry, Christian, Dade, Jasper, Lawrence, Newton, and Stone counties in the State of Missouri. FSA has allocated about $5.9 million for implementation of this project area in FY 2011. The target for enrollment in FY 2011 is 5,250 acres.

The remaining project area is located within Ashtabula, Geauga, Lake, and Trumbull counties in the State of Ohio, and Crawford, Erie, and Mercer counties in the State of Pennsylvania. FSA has allocated about $5.7 million for implementation of this project area in FY 2011. The target for enrollment in FY 2011 is 5,344 acres.

4. Purpose/Goals

BCAP provides financial assistance to owners and operators of agricultural and non-industrial private forest land to establish, produce, and deliver biomass feedstocks under two types of assistance:

- Establishment and annual payments to produce eligible biomass crops on contract acres within approved BCAP project areas, and

- Matching payments for the delivery of eligible material to qualified biomass conversion facilities by eligible material owners. Qualified biomass conversion facilities produce heat, power, biobased products, or advanced biofuels from biomass feedstocks.

5. Success in Meeting Programmatic Purpose/Goals

BCAP is the only energy program that is dedicated to the expansion of the diversity of cellulosic feedstock for commercial conversion. The program has demonstrated, through project area proposal submission and designations and matching payment distribution, that the demand for such diversity and feedstock support exists.

BCAP made over $250 million in matching payments to eligible material owners in FY 2009 and FY 2010 for the supply of biomass to over 400 biomass conversion facilities for the generation of heat,

power, biobased products and advanced biofuels under the NOFA. The biomass supply was predominantly woody materials.

During FY 2011, about $2.65 million has been allocated to help support producers who supply herbaceous materials (corn crop residues) to three qualified biomass conversion facilities. Additionally, the allocation of $35 million for the designated five project areas, will support the establishment and production of up to 250,000 acres dedicated energy crops for conversion to an advanced biofuel. The remaining funding of about $75 million is expected to be allocated by September 30, 2011.

BCAP has generated support and incentives for numerous biomass conversion facilities to enhance their bioenergy output, much of which has been accomplished through facility retrofits and entrepreneurial startups. Project area designations have strengthened numerous cooperatives and bioenergy startups and expanded the diversity of available long term feedstocks.

The expansion of project area designations in FY 2011 may assist many States in meeting Renewable Electricity mandates. BCAP incentives for conversion to liquid biofuels have encouraged the submission of proposals for drop-in fuel production and various advanced biofuels.

6. Annual Budget Authority (FY2002-FY2011)

	FY 2002 Through FY 2011 Budget Authority for Farm Service Agency Conservation Programs									
	(Dollars in thousands)									
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Biomass Crop Assistance Program	0	0	0	0	0	0	0	25,015	244,075	112,000

7. Annual Outlays (FY2002-FY2011)

Budget authority for CCC programs is based on obligations. Funds that are obligated in one fiscal year may not be disbursed until a succeeding fiscal year or fiscal years.

	FY 2002 Through FY 2011 Outlays for Farm Service Agency Conservation Programs									
	(Dollars in thousands)									
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Biomass Crop Assistance Program	0	0	0	0	0	0	0	2,147	248,202	112,000

8. Annual Delivery Cost (FY2002-FY2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

PROGRAM	PROGRAM ITEMS	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance						
	Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
	Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
	Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
	Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
	ACRE Payments	0	0	0	0	446,633
	Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
	Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
	Other Direct Payments	25,695	29,768	84,375	103,432	80,504
	NAP Payments	126,951	73,989	40,700	98,745	116,873
	Crop Disaster Assistance	58,591	1,281	114,828	-109	0
	Livestock Indemnity Program	198	2	1,716	91,825	77,000
	Emergency Livestock Assistance	664	25	1,926	-403	0
	Emergency Conservation Program	149,727	128,456	0	92,459	39,719
	Biomass Crop Assistance		0	0	248,202	199,000[1]
	Emergency Forest Restoration Program		0	0	0	18,000
	Tree Assistance Program	1,973	1,010	68	90	0
	CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
	Dairy Indemnity Program	181	144	651	162	200
	Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9291
	USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
	FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
	Reforestation Pilot Program	0	794	794	800	800
	Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
	Aquaculture Grants (123317)	0	0	48,500	39,942	0
	Farm Storage Facility Loans	548	0	12,500	0	0
	Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
	Indirect costs	47,548	234,633	226,905	242,967	246,299
	Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
	FTEs	8,905	8,620	9,529	8,355	8,140

[1] BCAP funding for fiscal year 2011 was subsequently capped at $112 million by the Department of Defense and Full-Year Continuing Appropriations Act of 2011, Public Law 112-10.

9. Eligibility Criteria

Project Areas and Producers

Project areas are established based on proposals submitted to FSA by either a group of producers or an entity that converts biomass to heat, power, a biobased product or an advanced biofuel.

Producers within a designated BCAP project area may apply to enroll land into the program and receive assistance to grow eligible biomass crops. Biomass must be established, produced and harvested or collected according to an approved conservation, forest stewardship, or equivalent plan to ensure that soil, water and other resource concerns are adequately addressed on the enrolled land.

Matching Payments

Matching payments provide payments to eligible material owners at a rate of $1 for each $1 per dry ton paid by a qualified biomass conversion facility (BCF), in an amount up to $45 per dry ton. An eligible material owner may be a producer of an eligible crop or a person or entity with the legal right to collect or harvest eligible material. Matching payments may be made to eligible material owners for a maximum of two years.

To qualify for a matching payment, the biomass must be an eligible material that also is collected or harvested directly from the land before transport to the facility, in accordance to an approved conservation or forest stewardship plan, and if woody biomass, must not have a previously existing market, and must also be a removal to reduce forest fire threats, disease or insect infestation, or to restore ecosystem health.

10. Utilization (Participation) Data

To date, three BCF's have been qualified from the 141 BCF applications submitted for qualification. These three qualified BCF's convert herbaceous materials.

Approximately 105 eligible material owner applications for matching payments have been approved and more than $1.5 million in matching payments have been disbursed. FSA has allocated $2.65 million to the States where these eligible material suppliers are located.

Of the 138 pending BCF applications to become qualified for matching payment purposes, a sample of 47 BCF applications provides evidence of an estimated quarterly supply rate of more than 1 million dry tons of woody biomass. The matching payment estimates for the approximate 1 million dry tons is over $45 million.

As of May 27, 2011, project area sponsors have submitted 46 project area proposals:

- Five of the project proposals have been reviewed and approved (see table below); and
- Forty-one project proposals were forwarded from State FSA offices on June 24, 2011, and are under review at the National FSA office.

Five project areas have been designated as follows:

Project Area Name	Location	Number of Counties	Eligible Crop	Targeted FY 2011 Acreage Enrollments	Targeted Acreage Total	Currently Enrolled Acreage	Acreage Offers Pending
Project Area 1	Kansas, Missouri	39	Warm season grasses	20,000	50,000	7,500 / 1	7,000 to 8,000
Project Area 2	Arkansas	8	Giant Miscanthus	5,588	50,000	/ 2	0*
Project Area 3	Missouri (Columbia)	9	Giant Miscanthus	3,000	50,000	/ 2	619*
Project Area 4	Missouri (Aurora)	7	Giant Miscanthus	5,250	50,000	/ 2	1,707*
Project Area 5	Ohio, Pennsylvania	7	Giant Miscanthus	5,344	50,000	/ 2	219*
TOTALS		**66 / 3**		**39,182**	**250,000**	**7,500**	**10,545**

/ 1 Sign up for Project Area 1 began on May 9, 2011 and acreage offers pending are undergoing the development of required conservation plans.

/ 2 Sign up for Project Areas 2 through 5 began on June 20, 2011 and acreage offers pending are undergoing the development of required conservation plans.

/ 3 Four counties in Project Areas 1 and 3 overlap: Boone, Callaway, Cooper, and Howard.

The total number of acreage targeted for producer signup in the five Project Areas:

- 39,182 acres for FY 2011.
- 250,000 acres at full-production-sign up.

The estimated yield of biomass, at full project performance:

- Project Area 1 is three tons per acre, 150,000 tons annually; and
- Project Areas 2 through 5 is 10 to 12 tons per acre, 2.4 million tons annually.

11. Duplication or Overlap with Other Programs

BCAP complements other State and Federal programs that support biomass conversion facility infrastructure by supporting the production of crops and materials that these facilities convert. In addition, the program's achievements help support the Renewable Fuel Standards Program by providing States with output to meet State renewable mandates and encourage renewable registrations.

12. Waste, Fraud and Abuse

Occasional cases of producer misconduct may have been identified and addressed through investigations; no current systemic waste, fraud, or abuse has been identified related to this program.

The Office of Inspector General (OIG) in December 2010 provided the following recommendations in a Fast Report pursuant to the review of BCAP matching payments administered in FY 2009 and FY 2010 in the States of California, Maine, Alabama, and Missouri:

- Develop a program handbook setting forth policies and procedures governing program administration;

- Develop forms specifically tailored to facilitate day-to-day administration and capture relevant program data; and

- Develop a data system with applied edit checks and a designed structure to facilitate data validation, management reporting, and data analysis.

BCAP responded to these recommendations and provided the following adjustments to the program for FY 2011:

- Release of the 1-BCAP Handbook with a second amendment in May 2011;

- Development of the forms BCAP-10 and BCAP-11 which track the tracts and fields where harvest and collection occurs and conservation, forest stewardship or equivalent plans are required via technical service agreements with NRCS and a developing agreement with USFS and State Foresters; and

- A web based system was designed to automate the new forms, moving away from the previously used System 36 or Conservation, Reporting, and Evaluation System (CRES).

13. Effect of Administrative Pay-go
None.