

Summary of Farm Bill Conference Report

Agriculture Committee leaders have released the text of the Farm Bill conference report. Of highest interest to electric cooperatives, it contains significant new funding opportunities for broadband deployment, largely maintains or improves priority rural development programs, and modifies the RUS Cushion of Credit program. Congress aims to pass the bill into law before adjourning for the year.

Electrification

- The conference report includes compromise language reforming the RUS ***Cushion of Credit*** (COC) program. The new language will allow, for a period of two years, COC balance-holders to use COC funds to prepay RUS/FFB debt without penalty. Existing deposits would continue to earn 5% interest until January 1, 2021, when remaining deposits would begin earning 4% interest. Starting January 1, 2022, the rate would be fixed at the 1-year Treasury rate. No future deposits will be allowed after enactment of the bill. While not wholly reflective of NRECA's preferred policy, this is a significant improvement over the original Senate proposal.
- This bill maintains and improves the ***Guaranteed Underwriter Program***, extending and streamlining the program by including technical and administrative improvements to lessen the burden faced by cooperative banks that make guaranteed loans to electric cooperatives.

Rural Development

- ***Rural Economic Development Loan and Grant Program (REDLG)*** – REDLG allows electric cooperatives to provide financing for job growth projects in their service territories. Without any change, REDLG funding is scheduled to end in 2021. The Farm Bill conference report extends REDLG by providing a new funding source that should maintain the program at least at its current level.
- ***Broadband*** – The conference report includes significant new authority for USDA to finance rural broadband projects through the Rural Utilities Service. The bill authorizes \$350 million/year for a combination of loans and grants for projects in underserved communities. Low density areas will be eligible for a greater proportion of the grant money. The compromise allows up to 10% of any USDA Rural Development loan to be used for the deployment of broadband service.

Innovation

- ***Rural Energy for America Program (REAP)*** – This loan/grant program can be used to finance renewable energy projects in rural America. The conference report extends the program and maintains its mandatory funding.
- ***Rural Energy Savings Program (RESP)*** – This loan program, designed largely by electric cooperatives in the last Farm Bill, offers financing for on-bill home energy retrofit programs. The conference report extends the program and includes administrative improvements to make it more useful for electric co-ops. The most notable improvement is an increase in the allowance for administrative expenses from 3% to 5% of the loan.

Miscellaneous

- The conference report also:
 - Reinstates the USDA Undersecretary for Rural Development position.
 - Authorizes RUS electric loan financing to be used for cyber improvements.
 - Codifies the existing RUS electric loan refinancing pilot program.
 - Extends the Rural Cooperative Develop Grant (RCDG) program