**Agriculture Improvement Act of 2018 (Senate Farm Bill) – Short Summary**

The Senate released a draft of a new Farm Bill on June 8, 2018. Unlike the House bill, this is a bipartisan product and will likely move forward relatively smoothly. Unfortunately, unlike the House’s effort, this bill contains very negative changes to the cushion of credit and, we think, is not as strong on broadband deployment. The Senate hopes to consider this bill on the floor of the Senate before July 4.

**Electrification**

* The bill makes significant changes to the RUS ***cushion of credit*** program by cutting the interest rate paid on existing deposits from 5% to a rate equal to the 5-year treasury rate (approximately 2.8% as of the bill’s introduction). In addition, the bill proposes to disallow any future deposits starting October 1, 2018. These changes are reported to save $2 billion, which are used to pay for other provisions in the bill.
* This bill maintains and improves the ***Guaranteed Underwriter Program****,* which provides financing options for electric cooperatives. The Senate Farm Bill extends and streamlines the program by including technical and bureaucratic improvements to lessen the administrative burden faced by cooperative banks that make guaranteed loans to electric cooperatives.

**Innovation**

* ***Rural Energy for America Program (REAP)*** – REAP is a loan/grant program that can be used to finance renewable energy projects in rural America. The Senate Farm Bill extends the program and maintains its mandatory funding – a improvement over the cuts contained in the House of Representatives’ bill.
* ***Rural Energy Savings Program (RESP)*** – RESP is a loan program, designed largely by electric cooperatives in the last Farm Bill, which offers financing for on-bill home energy retrofit programs. The Senate Farm Bill extends the program and includes bureaucratic 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 6% of the loan.

**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 is scheduled to run out of money in 2021. The Senate Farm Bill extends REDLG by providing a new funding source, including $5M in mandatory funds, that should maintain the program at least at its current level.
* ***Broadband***– A modern electric grid relies on robust communications technology, just as rural communities in the 21st century need high-speed broadband service to maintain productivity and quality of life. The Senate Farm Bill makes grants available through the RUS Broadband Loan program and increases the program’s authorization to $150M. However, the program will only be available to applicants who would serve communities 90% unserved by 25/3 Mbps broadband. The bill requires USDA to “coordinate” with FCC to make sure RUS grants/loans “do not conflict” with FCC’s financing programs.

**Miscellaneous**

* The Senate Farm Bill contains a “Single Application for Broadband” section that would allow up to 10% of any USDA Rural Development loan to be used for the deployment of broadband service.
* At the beginning of this Congress, USDA Secretary Perdue restructured the agency so that, among other things, the Rural Development functions were no longer headed by and Undersecretary but instead run directly out of the Secretary’s office. The Senate Farm Bill reinstates the USDA Undersecretary for Rural Development position.
* The Bill will extend the current, short-term pilot program that allows RUS to refinance loans.