



MINNESOTA DEPARTMENT  
OF AGRICULTURE

## AGRICULTURAL BEST MANAGEMENT PRACTICES LOAN PROGRAM

Biennial Status Report

Dwight Wilcox  
625 Robert St. N., St. Paul, MN  
**October 15, 2015**  
Representing activity through June 30, 2015

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Prepared by Dwight Wilcox  
625 Robert St. N., St. Paul, MN

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*Front Cover Image:*

This aerial photograph shows the lands in the Lake Benton area following the fall harvest.

Table 1. Estimated cost of preparing report.

Cost Category	Cost
Estimated Labor Cost	\$3,000
Printing and Incidental Costs	\$200
Total Costs	\$3,200

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## 1. EXECUTIVE SUMMARY

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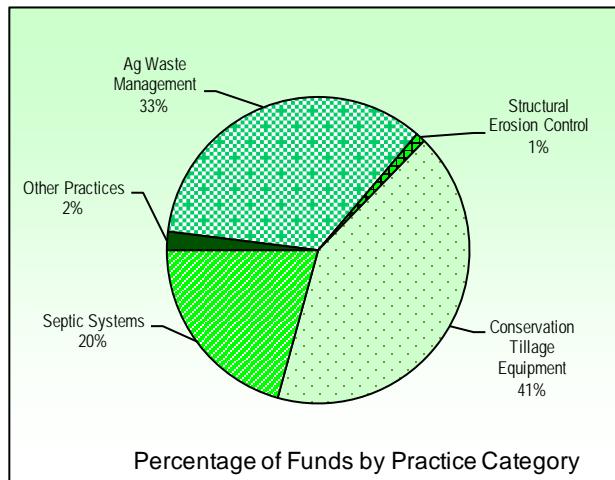
In 1994 the Minnesota Legislature enacted initiatives to provide long term, sustained funding to resolve nonpoint source water pollution problems. One section of these initiatives was the Agricultural Best Management Practices (AgBMP) Loan Program which was created to assist local governments implement agricultural and rural components of their Comprehensive Local Water Plan, Total Maximum Daily Load Implementation Plans and other environmental plans. This program provides low interest loans (typically 3%) through local governments and financial institutions to farmers, agriculture supply businesses, rural landowners, and water quality cooperatives. These loans are for pollution prevention practices that are recommended in an area's water and environmental plans. The program uses a perpetual revolving loan account structure where repayments from prior loans are continually reused to fund new loans.

Individual counties, Soil and Water Conservation Districts, and joint power organizations representing multiple counties and districts may participate in the AgBMP Loan Program as local administrators. Any financial institutions capable of servicing loans, providing adequate security, and guaranteeing repayment may participate as lenders under the program.

The AgBMP Loan Program is available throughout Minnesota and to all landowners and farmers. It prevents water pollution and restore clean water by implementing proven water quality practices; it encourages environmental compliance for farmers and landowners by providing financial assistance at a reduced cost; make farm operations more effective and efficient by allowing upgrades that reflects available technology and practices; stimulates and supports many different facets the rural Minnesota economy by the diversity of its eligible practices.

This report summarizes activities of the AgBMP Loan Program through June 30, 2015.

The program has received \$75.8 million since 1995, primarily from Minnesota's Clean Water State Revolving Fund. These funds have been awarded or used in all of the state's counties. Because of the revolving loan structure, the appropriations have been reused 2.7 times to financed 12,457 projects with total loans of \$203.0 million. The total cost for all completed projects that include AgBMP Loan Program financing is estimated to be \$316.9 million. In fiscal year (FY) 2015, 386 projects were completed totaling \$9.0 million in loans. The figure below shows a summary of the amount of loans issued since 1995.



- 2,433 Agricultural Waste Management practices (33%) have been implemented throughout the state (67 in FY 2015). These systems include replacement or upgrading of manure holding basins, pits or tanks; manure handling, spreading or incorporation equipment; and feedlot improvements such as clean water diversions around feedlots or berms and chutes to contain and direct contaminated runoff into the holding basins.
- 235 Structural Erosion Control practices (1%) have been funded (0 in FY 2015) including projects such as sediment control basins, waterways, terraces, diversions, buffer and filter strips, shoreline and stream bank rip-rapping, cattle exclusions, windbreaks, and gully repair.
- 3,727 Conservation Tillage practices (41%) (26 in FY 2015) have been implemented, including various types of seed bed preparation, planting, cultivation, and harvest implements that leave crop residues on the soil surface.
- 5,892 Sewage Treatment Systems (5%) on farms and rural properties (264 in FY 2015) have been repaired or replaced.
- 170 Other practices (2%) (29 in FY 2015), including well sealing, chemical and petroleum storage containment structures, and chemical spray equipment have also been funded.



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### **3. PURPOSE**

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The purpose of the Agricultural Best Management Practices (AgBMP) Loan Program is to prevent pollution, improve water quality, and address other local environmental concerns by assisting local government units (LGU) to implement agricultural and rural components of their Comprehensive Local Water Plans (CLWP), Total Maximum Daily Load (TMDL) Implementation Plans, Wellhead and Sole Source Aquifer Protection Plans and other environmental planning documents.

The AgBMP Loan Program provides loans for projects:

- that prevent or reduce water pollution,
- that are approved by local governments (Soil and Water Conservation Districts, county government, or joint power organizations), and
- for which a local lending institution (banks, credit unions, AgriBank, Regional Development Commissions, and counties acting as lenders) is willing to guarantee repayment to the MDA and service the loan to the borrower.

These local organizations will approve projects, oversee completion, issue and service low interest loans to farmers, agriculture supply businesses, rural landowners, and water quality cooperatives that implement best management practices (BMP) recommended in local water or other environmental plans. Although the primary purpose of the program is focused on agricultural issues, the program has been intentionally designed to encompass non-agricultural pollution issues in rural Minnesota, such as on-site and decentralized sewage treatment systems, and riparian stabilization practices. This program has an adaptable framework to distribute loans for environmental remediation, regardless of the source of the appropriations.

### **4. STATUTORY AUTHORITY, OPERATING PLANS, AND AGREEMENTS**

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The AgBMP Loan Program is implemented by statute, planning documents, and agreements.

**Minnesota Statutes 17.117:** The authorizing legislation for the AgBMP Loan Program is under MN § 17.117. In some cases specific subsequent session laws have established priorities for some appropriations to the program, such as targeting septic system replacement by 1997 Session Law Chap. 246 Sec. 6 and authorizing odor control financing in the 2000 Session Law Chap. 492 Sec. 10(3).

The program was first authorized in 1994 with minor procedural amendments in 1995 and 1996. In 2001, there were significant legislative amendments that allowed the expansion of the lending network, permitting more than one lender to serve an area. In 2006, 2007, and 2015 the loan limits were progressively increased, raising it to the current limit of \$200,000.

**Minnesota 319 Nonpoint Source Management Plan:** This plan describes how the state and local governments will address nonpoint source pollution problems such as those financed by the AgBMP Loan Program. It identifies the nonpoint source problems throughout the state, establishes priorities, and recommends potential actions to mitigate their impact. The Comprehensive Local Water Plans, prepared by the counties, provide the basis for much of the statewide water plan.

**SRF Operating Agreement:** The AgBMP Loan Program has received funds from Minnesota's Clean Water State Revolving Fund (SRF) which is established as a permanent revolving fund under the federal Clean Water Act. The assets of the SRF, which include federal funds, state matching funds, loan repayments and interest earnings, must be maintained in perpetuity and managed according to the terms of an Operating Agreement between the US Environmental Protection Agency (EPA) and the State of Minnesota. The Operating Agreement is an on-going agreement that is reviewed and amended periodically. It outlines the basic requirements for the SRF program, procedures for overall operation, fund transfers, and reporting.

**Interagency Agreement:** The Minnesota Public Facilities Authority (PFA) is responsible under state law for managing the SRF. The PFA is governed by a board of six state agency commissioners, including the commissioner of the Minnesota Department of Agriculture (MDA). The PFA annually

provides SRF funds to the MDA to administer as part of the AgBMP Loan Program. These funds and all subsequent loan repayments retain their identity as SRF funds and must be administered according to state and federal law governing the SRF. The relationship between the PFA and the MDA is defined by an Interagency Agreement. A new agreement authorizing the transfer and use of funds from the PFA to the MDA is prepared each time funds from the SRF are appropriated. This agreement defines the amount of funds available, how they may be used, and requires appropriate accounting and reporting.

**Intended Use Plan (IUP):** Each year the PFA prepares an Intended Use Plan describing how all the funds in the SRF accounts will be used. The IUP is opened for public review and comment. Typically the IUP identifies municipalities that are eligible to receive funds for wastewater treatment projects and any additional funds that will be made available to the agencies and departments implementing nonpoint pollution programs (such as the AgBMP Loan Program).

**Comprehensive Local Water Plan (CLWP):** All counties in Minnesota are required to prepare a CLWP that includes water resource inventories, public meetings, and comment periods. These plans identify specific local water resources, describe problems affecting the water resources, and recommend action plans to reduce water pollution. The AgBMP Loan Program provides funds to implement the recommended activities of these plans.

**Total Maximum Daily Load Implementation Plan (TMDL):** The US EPA and the MPCA have created a process to identify waters that are adversely impaired and prepare a plan to restore those waters to their intended use. A TMDL Implementation Plan proposes limits to the factors that cause the impairment, recommends specific remedial practices, and identifies areas where the suggested practices would be most effective, thus reversing the impacts.

**Procedure and Policies of the AgBMP Loan Program:** This is an informal, internal guide that explains the workings and procedures of the AgBMP Loan Program. It has been developed primarily by compiling prior responses to email and other inquiries, thereby offering guidance for consistent responses to future inquiries.

**Water Resources and Development Act of 2015 (WRRDA):** Congress amended portions of the Clean Water Act that provides funds to Minnesota's Clean Water SRF account. These amendments expanded or clarified eligible projects. Since these changes are authorized by the appropriation source, their provisions supersede the underlying basic program framework. The two changes with the greatest potential for addressing water quality are:

- **Septic Systems:** The requirement for borrowers to have a pre-existing septic system has been eliminated. Under the new eligibilities, repairs, upgrades, and new construction are eligible. This will allow septic system projects to mitigate existing problems and prevent future problems.
- **Subsurface Drainage:** New and existing subsurface drainage projects are eligible, provided the practice has a water quality benefit.

## **5. ALLOCATION PROCESS TO COUNTIES**

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*(For the purpose of this report, the term allocation refers to the award of funds by the AgBMP Loan Program to a local government unit, while the term appropriation refers to the award of funds by the state legislature or the Public Facilities Authority to the MDA.*

*Through the remainder of this report, the term “county” will refer to the local government unit implementing the AgBMP Loan Program; whether it is county government, the county Soil and Water Conservation District or a joint powers organization consisting of a group of either county government or Soil and Water Conservation Districts.*

*There may be slight differences between various reported totals when the calculations require additional information but the information was not provided by the borrower or county. For example, if a farmer did not report acres under conservation tillage, it was not included in the calculations of total acres under conservation tillage, while it was included in total loans issued. )*

After twenty years of awarding funds to counties, most counties have built up their assigned accounts such that repayment revenue from past loans have met the demands for the past few years. Achieving this maturity, the importance of the annual allocation process has been significantly reduced such that most counties simply use past allocations for future projects and request additional funds only when needed.

To facilitate the perpetual revolving nature of this program, all contracts with the counties were modified in 2015 such that their contract has an award amount equal to all funds under the oversight of the respective county, whether being held by the MDA (available for use) or by a participating lender (as an active loan with an outstanding loan balance). In this way, as monies are disbursed by the state or repaid by participating lenders, the total amount under the county’s contract does not change, so the frequent amendments required to re-award lender repayments to the county has been eliminated.

The program retains the framework for competitive and non-competitive applications; however, during the last biennium, the automatic reassignment of repayments from participating lenders provided the majority of funds to counties. For practical purposes, there has not been a need for a competitive application process. For details on the competitive application system, prior AgBMP biennium reports may be reviewed.

If a county finds that their activity level has exhausted their funds, interim awards are provided from the Statewide Interim Allocation Pool authorized under MN § 17.117 6b(c).

Counties are required to summarize their past activities and prepare a budget for anticipated activities in the upcoming year. The counties may request additional funds at that time and are reviewed as provided in statute. In 2015, only twelve counties requested \$100,000 or less during the annual reporting process. Five counties through their annual reporting process identified and released a total of \$726,000 from their accounts so other counties might use the funds.

## **6. CASH FLOW PROCESS**

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Figure 1 shows a flow chart of the funds through the AgBMP Loan Program. The process to finance a project follows these steps (letters correspond to items on Figure 1):

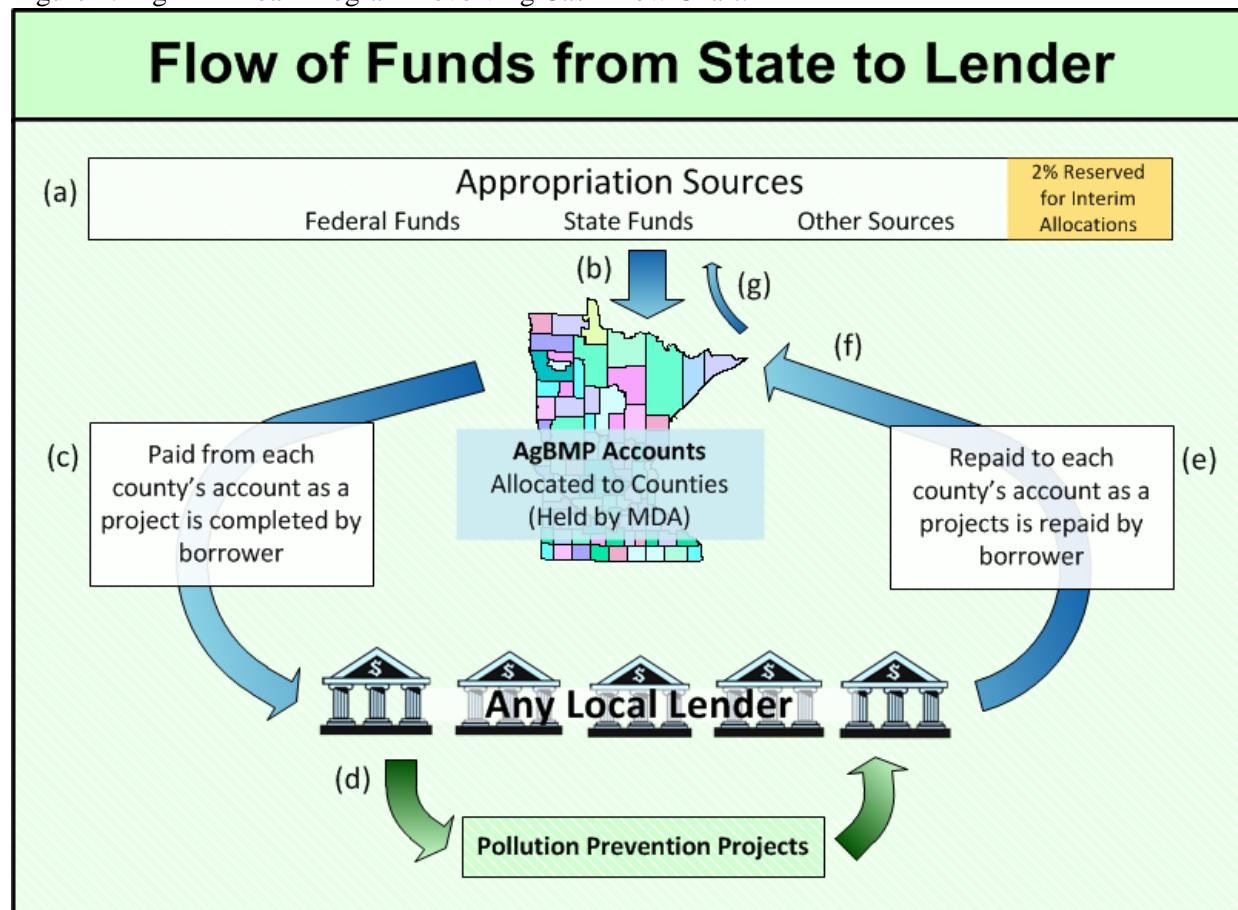
- a. The MDA account may receive appropriations from state, federal, other sources, or from returns of past allocations (g).
- b. Depending on the amount of new funds and the demand for the funds, the annual application process or interim allocations are used to formally award these funds to the counties. The money is not sent directly to the counties, instead the funds are held by the AgBMP Loan Program in accounts designated for use by each participating county.
- c. Lenders may request funds for projects that have been approved by counties.
- d. Lenders then issue loans to the borrowers and the borrowers repay the loans to the lenders.

- e. Lenders repay the loan principal back to the AgBMP Loan Program as the borrowers repay them. They retain interest earned as a fee for servicing and guaranteeing the loans.
- f. The repaid funds are deposited into the AgBMP account for the county from which the repayment was received. The process then will perpetually repeat itself from (c) to (f) for as long as the county uses the funds.
- g. If funds are not used, they may be rescinded and made available to all counties.

Under this system, as repayments are received, the money will be reallocated back to the same county. This procedure creates a county revolving account that is held by the AgBMP Loan Program to which all participating lenders have access. In addition, if funds in a county's account are not used, it can be rescinded or released in accordance with the contract without the lenders having to make a payment.

Another feature of this system is that over time, the amount of repayments received and reallocated back to the county will approximate the average annual spending level of the county. If a county receives additional allocations through the annual application process or interim allocations (a), the corpus of their account increases (b); thus the account's revenue (e) increases since more loans are being repaid. However, if a county's activity level decreases, the repayment revenue (f) from prior loans would not be fully used. If those repaid funds are not used within one year, they could be rescinded (g), thus reducing future repayment revenue to match the new activity level. This results in a stable, reliable funding source, commensurate with the county's capacity to implement projects. The program has found that this annual adjustment of the allocations is frequent enough to assure reasonable use of the funds yet gives the counties adequate time to solicit, design, and implement practices.

Figure 1. AgBMP Loan Program Revolving Cash Flow Chart.



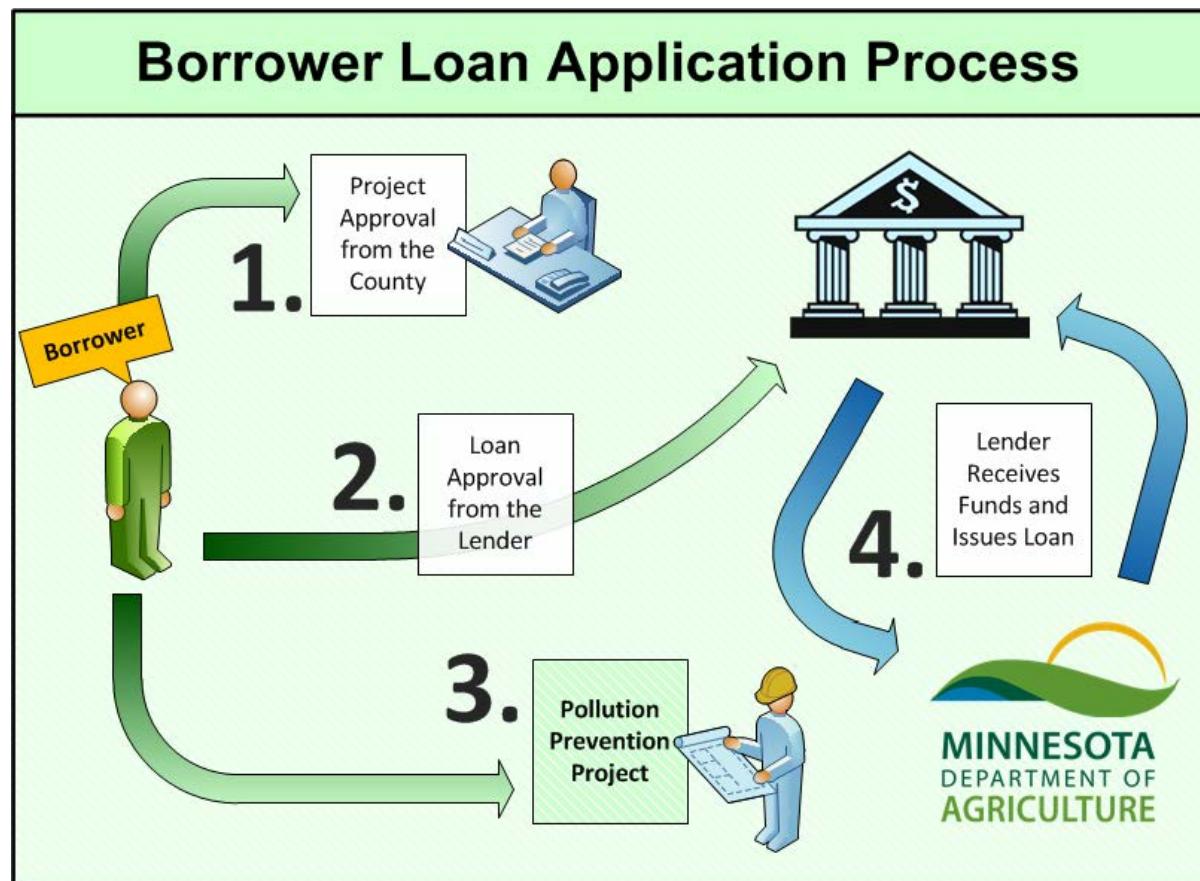
Under the original 1995 legislation, once funds were sent from the MDA to the county, repayments from the original projects were retained by the county in local banks and could be re-loaned for additional projects for up to ten years before repayment to the MDA began. However, this system was ended in 2005 and is now represented in Figure 1 by the repayment by lenders (e and f) to the County AgBMP Accounts held by the MDA (b). Additional details on the original cash flow system can be found in prior AgBMP biennial reports.

## 7. PROJECT APPROVAL PROCESS

To the borrower, the approval process for an AgBMP Loan is relatively simple (see Figure 2).

1. The borrower obtains approval for the project by the local county based on the environmental benefits and the availability of funds.
2. Once approved by the county, the application is forwarded to the local lender selected by the borrower for credit review. The lender will interact with the borrower just as with any other loan product offered by the lender.
3. With the approval of a local lender willing to issue a loan, the borrower may negotiate with the contractor or supplier for the project, within the maximum amount approved by the county and the lender.
4. As project costs are incurred, the lender and the AgBMP Loan Program will transfer the funds behind the scenes without the borrower's involvement.

Figure 2. Steps of the borrower loan application process.



## **8. TARGETING AND PRIORITIZATION**

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The AgBMP Loan Program uses four levels of prioritization and targeting for funds implementing best management practices:

- At the statewide level, Minnesota's 319 Nonpoint Source Management Plan prioritizes and establishes broad water quality objectives, priorities, and goals. This plan is prepared by multiple state and local agencies with oversight by the MPCA and is open for public comment.
- At the local or county level, a local water planning process develops the CLWP, which identifies water resources, prioritizes problems, and establishes local goals and solutions. This plan incorporates public involvement and in depth review by many state agencies.
- At the local and state level, counties or state agencies prepare TMDL Implementation Plans which address specific water quality impairments. These plans are professionally prepared, reviewed by local, state, and federal agencies, and open for public comment.
- The AgBMP Loan Program can also be used to implement other environmental plans, such as protection of wellhead areas and sole source aquifers.

All projects funded by the AgBMP Loan Program must be approved by a county confirming that the project will implement a component of a recognized environmental plan.

Each participating county establishes its own internal procedures to target, select, and implement the specific practices that carry out eligible components of local environmental plans. Eligibility is not restricted to farmers alone, nor are there programmatic borrower income, net worth, or income ratios limitations. If a project addresses a recommendation in a local environmental plan, it generally will be eligible for a loan through this program. However, lenders may establish their own underwriting criteria which may include income, net worth, or other financial limits.

In most situations, the counties actively seek the participation of landowners who will:

- Implement specific types of practices to address priority water quality problems anywhere within their jurisdiction, for example, any feedlot upgrade in the county.
- Implement any eligible practices within targeted, priority water resource areas, for example, conservation tillage practices within  $\frac{1}{2}$  mile of sediment impaired waters.

The project approval process by counties varies greatly; however most counties typically have a review panel to evaluate eligibility of high cost projects including technical feasibility, project priority, and the amount of funds to be made available to the proposed projects. For low cost projects, such as on-site sewage treatment systems, a staff member is usually authorized to approve projects without board action.

This program accepts the established water planning process and framework already in place and does not create other priorities or targeting methods for the counties. This program has successfully implemented thousands of practices because it is the local government's responsibility to identify their local priorities, develop effective local solutions, and solicit willing landowners to implement those solutions. Documents such as the Minnesota 319 Nonpoint Management Plan, Local Comprehensive Water Plans, Total Maximum Daily Load Implementation Plans, and other environmental planning documents provide background and guidance to the local counties, but it is ultimately the county and a landowner that must transform those recommendations into real projects that are both effective and economical.

When trying to create specific priorities or requirements for the projects financed through this program, it is important to recognize that this program provides only low interest loans, not grants. The funds must always be repaid by the borrower and if not the borrower, the loan is guaranteed to the program by the lender issuing the loan. Therefore non-environmental considerations significantly impact the landowner's decision to take on additional debt, such as state of the economy, agricultural prices, existing debt, and long-term personal goals. The lender also evaluates these parameters to assess the loan's risk. This program attempts to balance finding ideal environmental projects in the most sensitive areas with the practical and economic feasibility of finding ready and willing borrowers with the financial wherewithal to take on debt.

## **9. REQUESTED FUNDING AND SCOPE OF WORK**

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### **A. PAST REQUESTS FOR FUNDING FROM COUNTIES**

When the program first started, funding requests from counties exceeded available funds. Over the years, the program modified its procedures and increased the county accounts such that in recent years, requests for additional funds have been few. For example, at the end of FY 2015, \$75.8 million was under contract, however only \$1.09 million for additional funds was requested from 12 counties.

We do not expect an increase in demand for additional funds during the next biennium; however, when the agricultural economy returns to the pre-2008 levels, this demand is likely to outstrip repayment revenues.

### **B. APPROPRIATIONS TO THE AGBMP LOAN PROGRAM**

The AgBMP Loan Program has received \$53.8 million in SRF funds through the PFA and direct appropriations totaling \$22.0 million from the State Legislature; \$75.8 million in total. These revolving funds have resulted in \$203.00 million in total loans.

Current statute authorizes the program to manage up to \$140.0 million in total appropriations. The program is currently funded at 54% of this spending authority. Table 2 shows the amount appropriated to the AgBMP Loan Program from all sources.

Table 2. Appropriation to the AgBMP Loan Program.

Name	Amount Appropriated
Countywide Septic & Well Loan Fund	\$4,000,000.17
Federal State Revolving Fund	\$53,809,195.00
State Air & Water Quality	\$1,000,000.00
State Clean Water Fund	\$13,744,816.00
State Legacy Act	\$3,300,000.00
<b>Total</b>	<b>\$75,854,011.17</b>

### **C. SUSTAINABLE CAPACITY FOR LOANS**

The ability of the program to provide a reliable and sustainable source of funds to capitalize more loans depends on the repayment revenue of past loans. The repayment rate will vary depend on the mix of outstanding loans in the portfolio and their individual amortization schedules. The shorter the amortization schedule, the faster the rate of return and the more capacity for subsequent loans. The long term average rate of repayment has been about 14% of the outstanding loans. Therefore, at maximum use of the current appropriations, the program can annually provide up to \$10.62 million with no additional appropriations. If repayments exceed the demand from new projects, as what happened during the recent recession, the cash balance in the account grows and the short term loan capacity grows until the cash balance can be drawn down. The account currently could finance about \$25 million in new projects and retain sufficient capital for seasonal cash flow demands.

### **D. BORROWER AND COST-SHARE COORDINATION**

The AgBMP Loan Program can finance the total project cost up to \$200,000 including expenses such as fees, permits, engineering, construction, implements, materials, supplies, land, landscaping, and site restoration. (This limit was increased from \$100,000 to \$200,000 in the 2015 legislative session.) Borrowers are also limited to owing the program no more than \$200,000 at any time, though they might have multiple loans outstanding. Table 3 shows a summary of the average reported total project cost, average AgBMP loan amount, and the percentage that AgBMP loans contributes toward the total cost of the projects based on the invoices submitted to the AgBMP Loan Program for disbursement for the last five years. The AgBMP Loan Program provides, on average, financing for 63% of the total cost of

projects, while the borrowers generally establish significant equity (37%) at the project's outset from personal resources, cost-share programs, equipment trades, or other financial resources.

Table 3. Summary of average loan amount, total project cost, and percentage of project paid from non-AgBMP funds for the last five years

Practice Category	Average Total Project Cost	Average AgBMP Loan Amount	Contribution of AgBMP Funds to Total Project Cost
Ag Waste Management	\$89,960.50	\$45,902.68	78.3%
Structural Erosion Control	\$45,792.10	\$17,020.88	75.0%
Conservation Tillage Equipment	\$66,885.91	\$41,003.11	71.3%
Septic Systems	\$11,878.86	\$10,991.89	93.8%
Other Practices	\$31,750.64	\$26,919.47	91.3%
Average	\$37,106.28	\$23,466.82	86.8%

State and federal cost-share programs provide grant assistance (cost-share grants are not repaid; AgBMP loans must be repaid) to farmers and landowners for implementing specific types of practices that benefit the environment. AgBMP loans are intended to coordinate with any state or federal cost-share grants, providing a low-interest loan option to finance landowner match requirements.

State cost-share for conservation on agricultural lands and associated water quality improvement are typically administered through the BWSR to various local government units, including Soil and Water Conservation Districts, Watershed Districts and Counties. The NRCS administers substantial federal cost-share funds for agricultural BMPs and frequently provides technical and engineering assistance. County SWCDs often serve as integrators of the AgBMP Loan Program with state and federal cost-share programs. In addition, the State provides technical engineering assistance funding through the BWSR Nonpoint Engineering Assistance Program to joint powers of SWCDs for shared engineering of best management practices. Because all of these programs are locally administered and offices are often collocated, there is substantial cooperation and coordination between the state and federal programs, multiple funding sources, and technical assistance to effectively and efficiently implement practices.

State and federal cost-share programs have differing limitations on the amount of cost-share provided; however; for the purposes of cost-share match requirements, the AgBMP loans are considered a cash contribution provided by the borrower.

State cost-share grants to feedlot operators are usually limited to facilities with less than 500 animal units. Federal cost-share grants do not have a limit on the size of a feedlot operation, but include differing approval processes based on grant amount.

The AgBMP Loan Program has no limitation on the percentage of the total project cost financed or matching requirement (see Table 3), though many lenders require some borrower equity. The program is limited to feedlot facilities with less than 1,000 animal units. In addition, the AgBMP Loan Program funds many things not eligible under certain state and federal cost-share programs, such as conservation tillage equipment and upgrading of septic systems.

The participating local government units coordinate AgBMP loans with state and federal cost-share funds. These local government units provide the strategic service of evaluating projects, coordinating eligibility for potential funding sources, evaluating priorities, and submitting the appropriate applications, proposals and plans to assist the farmer to obtain financial assistance while achieving the environmental objectives of the programs and approved local water plans. Despite having several funding sources for various water quality practices, farmers or rural landowners typically need only to contact the local Soil and Water Conservation District, USDA - Natural Resources Conservation Service field office and/or county environmental office to access most of the available funding sources. In addition, local governments review the submitted project costs to prevent multiple financing of the same expenses through multiple funding sources.

## **10. CLEAN WATER FUND ACTIVITY**

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### **A. OVERVIEW OF CLEAN WATER FUND**

In 2008, Minnesota's voters passed the Clean Water, Land and Legacy Amendment (Legacy Amendment) to the Minnesota Constitution to: protect drinking water sources; to protect, enhance, and restore wetlands, prairies, forests, and fish, game, and wildlife habitat; to preserve arts and cultural heritage; to support parks and trails; and to protect, enhance, and restore lakes, rivers, streams, and groundwater.

The AgBMP Loan Program has received appropriations from the CWF to increase the program's loan capacity to meet ongoing demand for loans. Because all appropriations to the program are made in perpetuity and with the revolving nature of these loans, the program will have continuing, environmental benefit far beyond their initial use.



### **B. ALLOCATIONS FROM CLEAN WATER FUND**

The AgBMP Loan program has received with \$13.9 million from the CWF. More than \$13.40 has been budgeted to implement best management practices recommended in local environmental plans. The balance was used for MDA administrative expenses, including the development of a new recordkeeping system.

These funds are allocated to counties using the same procedures as all other funds appropriated to the AgBMP Loan Program. Until 2014, funds were assigned to projects implementing practices in proximity to Total Maximum Daily Load (TMDL) implementation areas; however as TMDL areas were established throughout the state, funds may now be awarded to counties anywhere in the state.

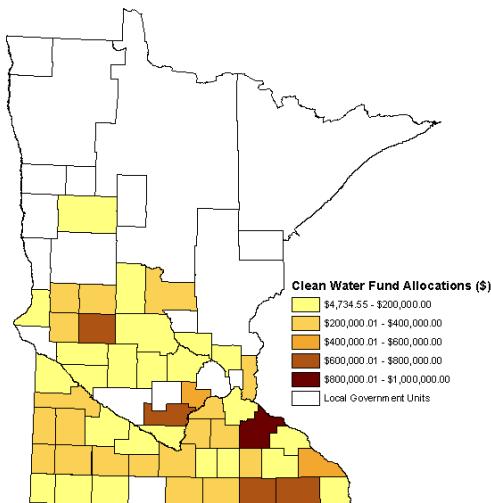
Table 4. List of Clean Water Fund Appropriations.

Appropriation Citation	Amount Appropriated
2013 Session Law Chap. 137 Art. 2 Sec 3(c)	\$400,000.00
2011 1st Special Session Law Chap. 6 Art. 2 Sec 3(c)	\$9,000,000.00
2009 Session Law Chap. 172 Art. 2 Sec 2(e)	\$4,500,000.00
<b>Total</b>	<b>\$13,900,000.00</b>

## A. PRIORITIZATION

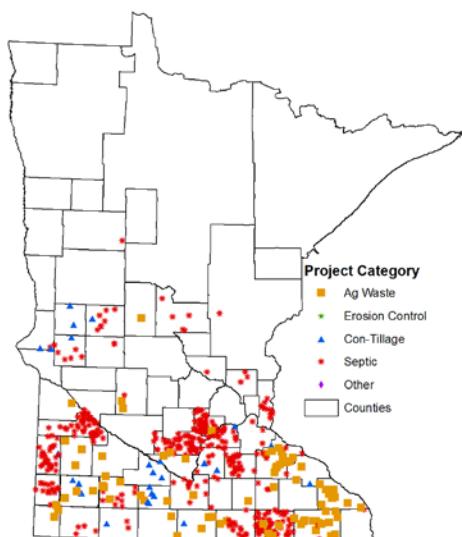
CWF dollars are currently one of five funding sources managed by the AgBMP Loan Program that contribute to a county's total available funds. Figure 3 shows the counties receiving Clean Water Funds. All loans supported by the CWF implement recommended best practices identified in local environmental planning documents such as a MPCA approved TMDL Implementation Plan, Local Comprehensive Water Plans, Wellhead Protection Plans, and the state's 319 Nonpoint Source Plan.

Figure 3. Allocations to Counties from Clean Water Funds.



## B. CLEAN WATER FUND LOAN ACTIVITY

Figure 4. AgBMP CWF project locations, 1995-2015.



Through 6/30/2015, the program has financed 576 loans (Figure 4) providing \$11.0 million dollars in financing (

Table 5). CWF dollars made available through the AgBMP Loan Program frequently leverages additional spending on clean water activities beyond the loan amount itself. All expenses that are reported by the borrower that are not paid by the AgBMP loan are considered leveraged funds. Leveraged funds can include fund sources such as out of pocket expenses, trade in value, other sources of state and federal funds, or traditional financing. This program has leveraged \$9.4 million in additional funds (

Table 5).

Table 5. CWF loans by category as of 6/30/2013.

Category	Number	Loan Amount	Amount Leveraged
Ag Waste Management	95	\$4,494,359.53	\$7,777,823.20
Conservation Tillage Equipment	28	\$1,265,755.53	\$1,151,327.47
Septic Systems	453	\$5,227,822.94	\$427,514.00
<b>Total</b>	<b>576</b>	<b>\$10,987,938.00</b>	<b>\$9,356,664.67</b>

## **12. CURRENT STATUS – ALL FUNDS COMBINED**

*The values presented in the following descriptions are based on combined disbursement requests paid by the MDA for all funds administered by the AgBMP Loan Program prior to 6/30/2015. This includes federal SRF funding, Clean Water Funds, and other state funds.*

### **A. ALL YEARS COMBINED**

Through June 30, 2015, 12,457 practices totaling \$203.0 million in loans have been completed through this program. Because of the revolving nature of the program, total disbursements exceed the total appropriations of \$75.8 million. The program currently issues an average of \$0.82 million in loans each month.

Figure 5 shows the total available funds to counties throughout the state. (Appendix A is a list of the amounts by county.) During the last five years the average number of projects completed per year was 415 with an average annual total loan amount issued at \$9.8 million. There were 386 loans valued at \$9.0 million completed during the last fiscal year.

Figure 5. Cumulative amount of AgBMP funds allocated to counties, 1995-2015

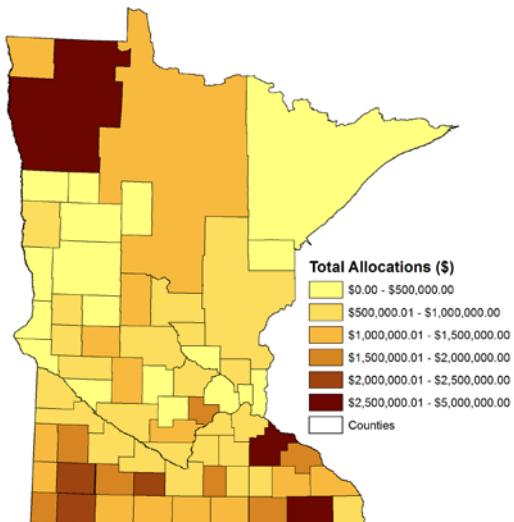


Figure 6. Total Amount of All Loans Issued 1995-2015.

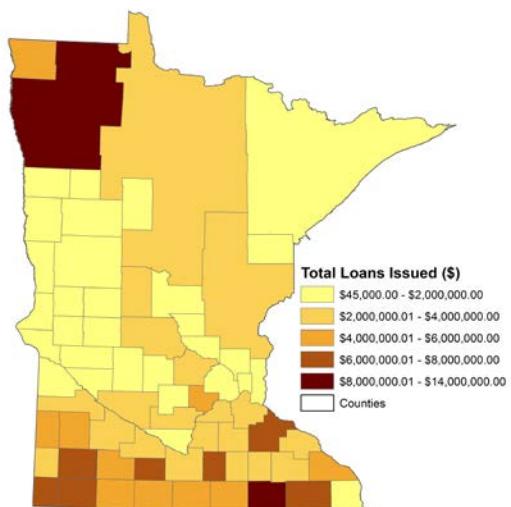


Figure 6 shows the total amount of loans each county has issued for the life of the program. The counties issuing the most loans by amount is shown in Table 7.

Table 6 shows the total number and amount of loans issued by fiscal year for the last 10 years of the program.

Table 6. Summary of the number and amount of loans issued by fiscal year for the last ten years ending 6/30/2015.

Fiscal Year	Number of Loans	Total Loan Amount	Total Project Cost
2006	653	\$12,013,283.88	\$21,005,385.82
2007	955	\$16,064,870.27	\$27,360,073.72
2008	730	\$13,819,725.64	\$21,388,122.25
2009	698	\$14,017,124.91	\$23,456,253.48
2010	596	\$13,006,104.47	\$23,524,574.61
2011	507	\$11,527,878.42	\$18,077,894.16
2012	500	\$11,317,147.94	\$18,859,098.89
2013	398	\$9,990,864.02	\$18,887,507.59
2014	335	\$8,791,222.93	\$12,400,410.18

Table 7. The top five local governments financing projects through the AgBMP Loan Program.

LGU Name	Loan Amount
Northwestern JPO	\$8,333,107.11
Fillmore SWCD	\$5,418,848.87
Mower SWCD	\$4,535,211.20
Goodhue Cty	\$4,518,354.93
Murray Cty	\$3,591,446.84

The impact of the overall economy in recent years is also reflected in program activity. There was a decline in the number and amount of loans issued from 2008 to 2014. In 2015, the loan activity increased reflecting the improvement in the agricultural economy; though it has not returned to pre-2008 levels.

Some factors that may be affecting the program activity include:

- General insecurity of the United States and global economic conditions such that people are unwilling to take on additional debt.
- Lenders encourage borrowers to use in-house conventional loan products at current competitive rates for financing.
- Manufacturers and dealers are providing in-house financing at lower interest rates (for example: 0% for five years) to stimulate sales.
- Reduction in administrative capacity by counties due to budget and staffing cuts.
- Amount of cost-share available.
- Increased production costs or reduced revenues in some sectors of the agriculture economy.

Over 12,450 projects have been completed and are located in all counties in Minnesota, see Figure 7. There were 386 projects completed during 2015 (see Figure 8). Although there are practices implemented throughout the state, most are in traditional farm areas.

The program permits loans to farmers, agriculture supply businesses, rural landowners, and water quality cooperatives. The majority of the loans are issued to farmers and farm suppliers; though almost half the septic system loans are issued to non-farm landowners.

Figure 7. Location of all AgBMP projects, 1995 - 2015.

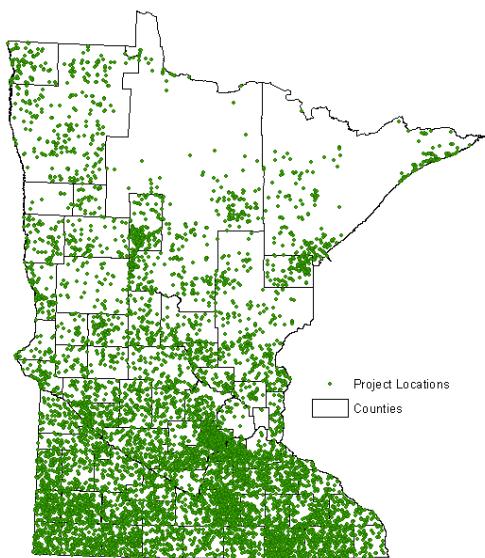


Figure 8. Location of FY 2015 AgBMP projects.

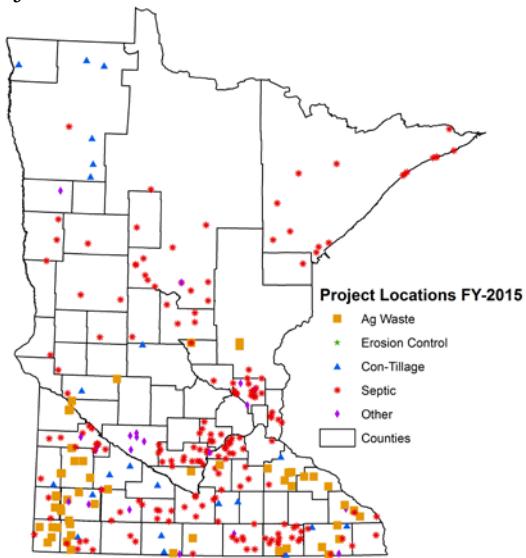


Table 8 summarizes farm and non-farm participation in the program by practice categories as reported by the county. Table 9 shows the percentage of all loans by category, based on number and total amount of loans issued.

Table 8. Summary of farm/non-farm participants in the AgBMP Loan Program by practice category.

Name	Farm	Non-Farm	Not Identified
Ag Waste Management	2,431	0	0
Structural Erosion Control	201	25	9
Conservation Tillage Equipment	3,725	0	0
Septic Systems	2,149	2,436	1,301
Other Practices	111	38	21
<b>Total</b>	<b>8,617</b>	<b>2,499</b>	<b>1,331</b>

(Not Identified: Counties did not indicate if the projects was on a farm or not.)

Table 9. Percentage of loans issued by number and total dollar amount.

Category	Number	Loan Amount	Amount Leveraged	Total Cost
Ag Waste Management	2,433	\$67,446,237.19	\$61,499,570.98	\$128,945,808.17
Structural Erosion Control	235	\$2,031,548.40	\$2,473,509.48	\$4,505,057.88
Conservation Tillage Equipment	3,727	\$82,297,982.58	\$45,823,086.40	\$128,121,068.98
Septic Systems	5,892	\$47,392,497.19	\$3,104,829.88	\$50,497,327.07
Other Practices	170	\$3,813,603.17	\$1,008,802.96	\$4,822,406.13
<b>Total</b>	<b>12,457</b>	<b>\$202,981,868.53</b>	<b>\$113,909,799.70</b>	<b>\$316,891,668.23</b>

## **13. ESTIMATED ENVIRONMENTAL BENEFITS**

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The AgBMP Loan Program is very efficient and effective because it does not require extensive prior environmental review of proposed projects. Instead, the program uses the findings of research institutions such as universities and state and federal agencies to determine the best management practices to reduce environmental impacts. The program will finance those proven recommended practices, subject to local county review of site specific conditions.

The disadvantage of this is that before and after water quality measurements and net change calculations cannot be made. Instead, the program uses the findings of the research institutions and the specific size (such as acres or animal units) of the project to estimate theoretical net benefits. Other agencies, such as the MPCA and the DNR, have established regular water quality monitoring of representative waters to estimate overall effectiveness of best management practices implementation by all water resource managers. In addition, local government will often provide an estimate of the benefit provided by the BMP i.e. tons of soil saved, P reduction, though this is not required to be submitted as a part of the AgBMP loans.

The following tables show the estimated nutrients under management and/or the associated pollutant load reductions for the FY12-13 biennium and cumulative reductions following implementation of AgBMP practices. (Only those projects that had the requisite descriptive information were included in the calculations.)

Table 10. Estimated nutrients managed following installation of AgBMP funded feedlot and manure handling equipment improvements.

Biennium Projects	Biennium Total AU	Total-N tons/ear	Total-P tons/ear	Cumulative Total-N tons/year	Cumulative Total-P tons/year
1,368	556,000	46,000	23,000	700,000	366,000

For the purposes of calculations, this table shows the accumulated number of projects completed during the biennium and life of the program. Because prior years' projects continue to operate in the subsequent years, their benefit accumulates. For example a feedlot improvement from 10 years ago provides 10 years of benefit for the animal population at the facility, a newly constructed facility would provide only one year of benefit. Assuming all facilities that have received funding through the program are still in operation, each year there would be a benefit (reduction in discharge) of 700,000 tons of nitrates and 366,000 ton of phosphorus.

Source: University of Missouri Extension - MWPS-18, Manure Management Systems Series, Section 1, Manure Characteristics.

<http://extension.missouri.edu/explorepdf/envqual/eq0351table01.pdf>

Table 11. Estimated sediment load reductions following implementation of conservation tillage practices funded by the AgBMP Loan Program.

Biennium Projects	Biennium Acres	Biennium Sediment Reduction tons/year	Projects (10yrs)	Acres (10yrs)	Sediment Reduction tons/year (10yrs)
67	66,000	254,000	1,890	1,996,000	7,685,000

For the purposes of calculations, the life of tillage equipment is assumed to be 10 years. Projects funded more than 10 years ago are not considered in this estimate.

Source: NRCS, 1997 Natural Resources Inventory  
[http://www.mn.nrcs.usda.gov/technical/nri/findings/erosion\\_rates.htm](http://www.mn.nrcs.usda.gov/technical/nri/findings/erosion_rates.htm)

Table 12. Estimated phosphorus and TSS load reductions following installation of AgBMP funded septic systems.

Total	Biennium P-Reduction lbs/year	Biennium N-Reduction lbs/year	Biennium TSS-Reduction lbs/year	Overall Total	Cumulative P-Reduction lbs/year	Cumulative P-Reduction lbs/year	Cumulative TSS-Reduction lbs/year
464	2,700	8,700	37,100	5,892	34,500	110,200	471,500

Source: BWSR, Septic System Improvement Estimator

<http://www.bwsr.state.mn.us/outreach/eLINK/>

## **14. COMPLETED PROJECTS BY CATEGORY**

### **A. AGRICULTURAL WASTE MANAGEMENT SYSTEMS**

During the last fiscal year there were 67 agricultural waste management loans completed using AgBMP loan funds. The five year average is 79 per year. Since 1995, there have been 2,433 agricultural waste loans completed. A summary of the types of projects completed in the last five years is show in Table 13.

Figure 9. Location of agricultural waste management projects, as of 6/30/2015.

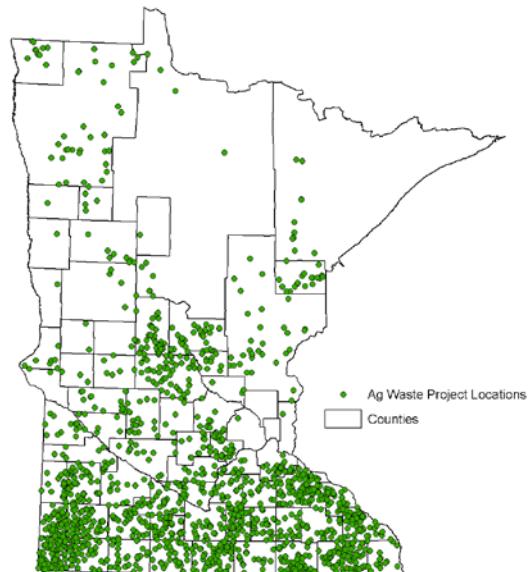


Table 13. Summary of agricultural waste practices completed during last five years.

General Practice Description	Number Issued	Total Loan Amount	Total Cost
Manure Management and Application	258	\$10,525,943.36	\$15,657,242.43
Manure Storage	99	\$6,653,500.03	\$20,788,179.10
Feedlot Improvements	108	\$6,110,608.82	\$12,669,907.30
Milkhouse Practices	1	\$65,500.00	\$202,747.57
Grazing Practices	1	\$20,667.00	\$32,529.00
<b>Total</b>	<b>467</b>	<b>\$23,376,219.21</b>	<b>\$49,350,605.40</b>

Table 14. Percentage of loans issued to various types of animal production operations.

Type of Operation	Percentage
Cattle - Beef	25.9%
Cattle - Dairy	28.6%
Cattle - Other	0.1%
Cattle - Unspecified	1.4%
Hogs - Finish	24.3%
Hogs - Nursery	0.3%
Hogs - Unspecified	0.4%
Horses	0.0%
Poultry - Layers	0.2%
Poultry - Turkey	0.3%
Sheep and goats	0.4%

The average size of livestock operations receiving loans for the last five years is 364 animal units. The size of farms using this program for agricultural waste projects is summarized in Figure 10. Legislation currently limits loans to facilities with less than 1,000 animal units. Table 14 shows a summary of the types of facilities utilizing the program, primarily beef, dairy, and pork producers. The five year average reported total cost of these projects has been \$89,960.

Figure 10. Number and size of farms receiving AgBMP loans for agricultural waste management.

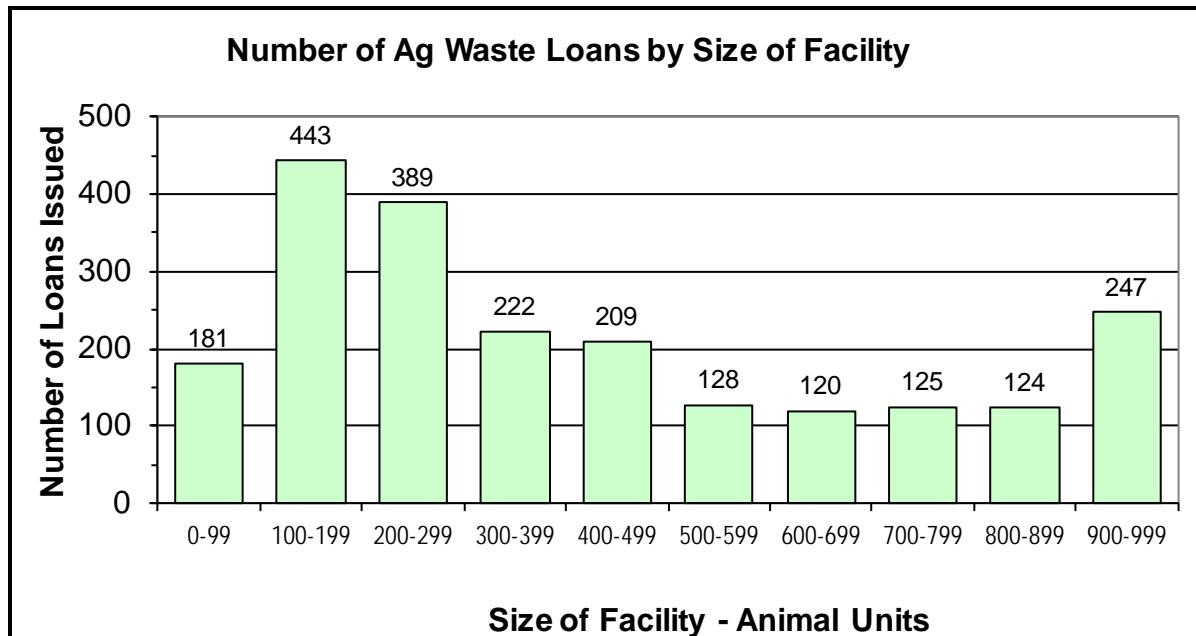


Figure 11. Typical manure storage pit under construction in Olmsted County.



Figure 12. Manure treatment system in Stearns County.



Figure 13. Installation of manure basin liner, Olmsted County.



Figure 14. Manure storage basin, Rock County.



Figure 15. Filter strip, Rock County.



Figure 16. Stacking slab, Rock County.



Figure 17. Scrape apron, Rock County.



### Rock County Project

In this Rock County project, a farm was evaluated to resolve environmental issues and bring it into compliance with state and local requirements. With the cooperation of the Rock County Land Management Office, the NRCS, and the Southwest Prairie TSA Engineering staff, the site was assessed, designs prepared, and application for all permits, cost share requests, and an AgBMP Loan submitted.

The project involved a basin for settling and storage of solids, a filter strip for treatment of liquids, gutters, clean water diversions, stacking slab, and scrape aprons to assist in the removal of solids.

When completed, the project will cost \$69,474.93. The facility will have a maximum animal unit capacity of 290 head of cattle and will reduce phosphorus annual loading by 66 pounds, nitrogen by 194 pounds and reduce BOD by 775 pounds. The operation supports one family and livestock are custom fed for another Rock County producer.

This project demonstrates the use and coordination of several funding sources to implement a large project.

## **B. STRUCTURAL EROSION CONTROL PRACTICES**

During the last fiscal year there were no structural erosion control practices funded. Typically, 2 projects have been completed per year over the past five years. Since 1995, the number of structural erosion control practices that have been funded is 235 (see Figure 18). The average total cost for this category of projects was \$45,792, with \$17,021 as the loan portion. It is more difficult to find landowners willing to implement these practices because they are not usually required by regulations, provide little financial return to the landowner, and can reduce crop production acreage. For example, making a 32-foot wide grassed waterway has direct costs for construction, removes that land from production, and will require periodic maintenance. For the most part, structural erosion control practices are implemented only when cost-share funds are a major component of the project.

Figure 19. Example of ring dike constructed to prevent contamination of flood water during flood events.



Figure 18. Location of structural erosion control projects as of 6/30/2015

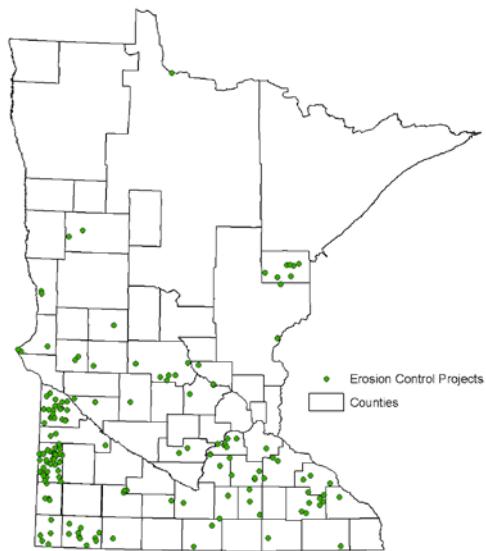
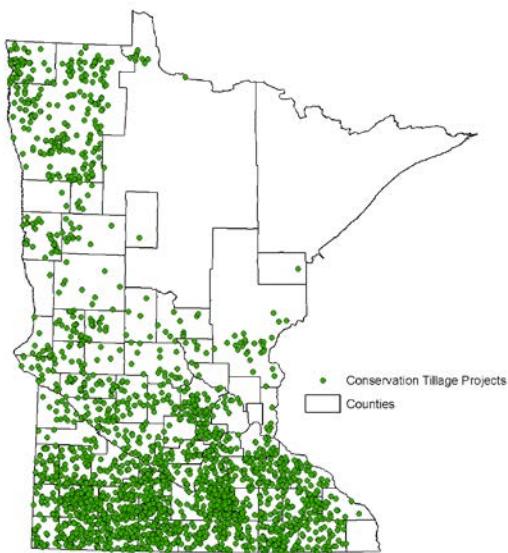


Figure 20. Completed ring dike



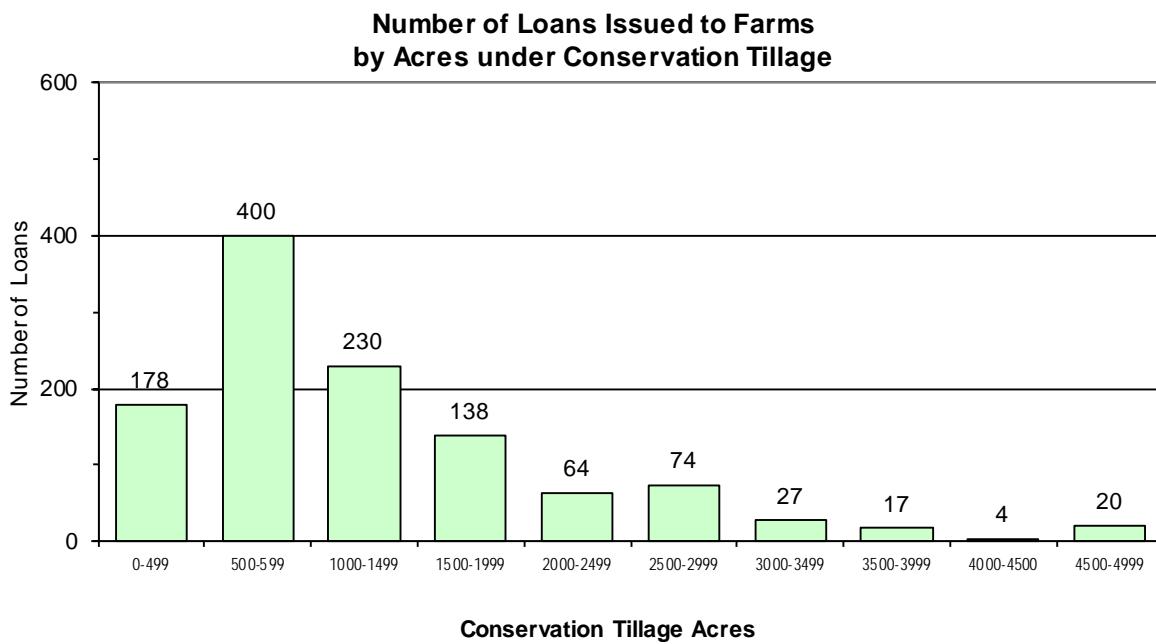
## C. CONSERVATION TILLAGE PRACTICES

Figure 21. Location of conservation tillage practices, as of 6/30/2015



The category of conservation tillage practices has been one of the program's most frequently used with 3,727 practices implemented since 1995, (see Figure 21). During the last fiscal year there were 26 loans issued. The five year average for this type of loan is 71 per year. The average size farm using an AgBMP loan to purchase conservation tillage equipment is 1,112 acres. The size of farms using this program for conservation tillage equipment is summarized in Figure 22. The equipment funded is generally specialized field tillage, planting, cultivation, or harvest implements that result in crop residues covering at least 15% after soybeans and 30% after corn of the ground when measured after planting. The average loan for tillage equipment is \$41,003, while the average total cost for this equipment is \$66,886. The equipment funded through this program is being used on approximately 2.5 million acres.

Figure 22. Number and acreage of farms receiving AgBMP loans for conservation tillage practices



In many areas of the state, sedimentation to rivers and lakes is the highest priority water quality problem. In these areas, counties report that conservation tillage is the most cost effective means of reducing sediment, nutrient loading, and oxygen depletion in surface waters. Implementing conservation tillage practices on a single farm can effectively reduce runoff, erosion, and nutrient loss from hundreds of acres. The counties have reported that this low interest loan program has often been the decisive factor that has encouraged many farmers to implement or intensify these practices.

Figure 23. Typical conservation tillage equipment.



Figure 25. Typical appearance of field with conservation tillage practices.



Figure 24. Field under conservation tillage practices.

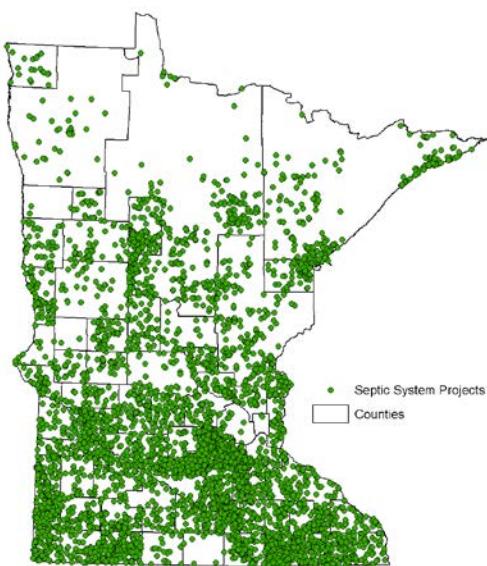


Figure 26. Adjacent fields with and without conservation tillage practices showing prevention of wind erosion.



## D. SEPTIC SYSTEMS

Figure 27. Location sewage systems financed with AgBMP funds, as of 6/30/2015.



To date over 5,892 on-site sewage treatment system projects have been funded through this program, (see Figure 27). The average total cost of these projects has been \$11,879. The number of septic systems repaired last year through this program was 264. The five year average is 245 projects per year. Repair of farm and rural septic systems is the most numerous, single category of projects, contributing 47% of all the projects by number. Repairing or replacing non-compliant septic systems constitutes 20% of the funds disbursed by the program.

Although repairing septic systems is not a traditional agricultural best management practice, the AgBMP Loan Program can provide loans to correct these problems because of its flexible framework and adaptable structure:

- The AgBMP Loan Program has the cooperation of local water managers and local governments throughout the state, including those responsible for septic systems regulation.
- It has a large, expanding lending network of banks and other financial institutions willing to offer and service loans to finance septic systems.
- It has a substantially capitalized revolving pool that has the capacity to offer these loans, including \$4 million specifically appropriated for septic systems upgrades.

Figure 28. Typical septic system installation



## A. OTHER PROJECTS

The Other category includes all practices that are not included in the first four practice categories. A partial list of these practices includes:

- well replacement and sealing,
- irrigation efficiency controls,
- variable rate technologies for application of
  - seed,
  - fertilizers, and
  - chemicals,
- chemical sprayers,
- secondary containment for chemicals, and
- permanent ground cover conversion.

Figure 30. Well sealing project completed in Benton County



Figure 29. Location of Other practices financed with AgBMP funds, as of 6/30/2015

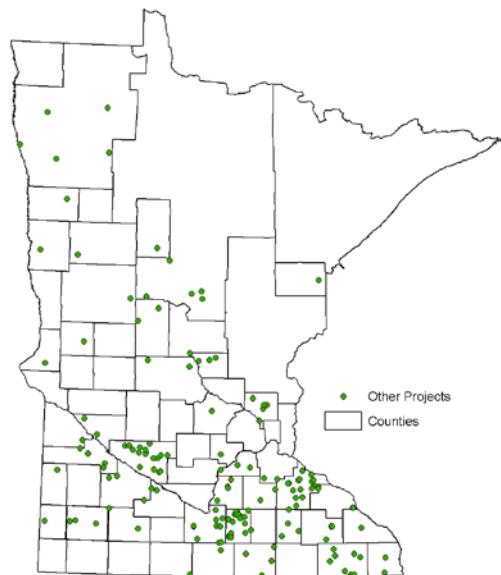


Figure 31. Example of a double wall containment tank funded by the AgBMP Loan Program



## **15. STATUS OF REVOLVING ACCOUNTS**

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Under the original 1995 legislation, a locally held revolving account was created with a single participating lender to finance local projects. The system was changed in 2001 and these locally held accounts are now being repaid in accordance with their amortization schedules and will be fully closed by 2026.

New contracts executed under the 2001 legislation establish a revolving account held at the state level by the AgBMP Loan Program (under the MDA) for the participating county. Funds are disbursed to any participating lender as costs are incurred by the landowner. Repayments under these contracts begin one year after the loans are issued. These new contracts will remain valid for as long as counties or lenders choose to participate in the program.

The overall status, capacity, and characteristics of the revolving accounts are summarized in Table 15. As of June 30, 2015, approximately 53% of appropriations were in use as measured by the total outstanding loan balances. The annual pace of loans issued as a percentage of the program's total appropriation, the "turn-over" rate, for the past year was 12%. For planning purposes, the counties use the cash on hand plus the estimated annual repayment revenue to estimate their future revenue stream.

Table 15. AgBMP fund account characteristics

Fund Capacity Characteristic	Amount	%
Total Appropriations	\$75.8 million	
Total Loans Issued	\$203.0 million	
Total Outstanding Loan Balance	\$40.4 million	53%
Total Project Costs	\$77.0 million	
Total Cash on Hand	\$ 35.4 million	47%
Estimated Annual Repayment Revenue	\$ 10.4 million	14%
Pace of Loans Issued During 2015	\$9.0 million	12%
Revolving Rate: (Total Loan Amount / Total Appropriations)		270%
Leveraged Funds: (Non-AgBMP Loan funds / Total Loan Amount)	\$114.6 million	57%

The counties' aggregate 2015 proposed spending plan for all funds under contract is shown in Table 16. Counties are required to manage their revolving account; however, despite their proposed spending plans, some counties are not able to complete all the projects proposed. Landowners may change their minds before construction begins, economic and agricultural conditions might change, start dates may be delayed, or anticipated projects just may not materialize. The AgBMP Loan Program has remained flexible, working with all counties to move funds to where they are needed; yet allowing counties to maintain their revolving accounts at such a size to meet anticipated funding needs and in categories to meet ever changing demands.

Table 16. Proposed use of current funds under contract.

Category	Number	Budget
Ag Waste Management	274	\$11,190,721.80
Structural Erosion Control	112	\$1,560,848.72
Conservation Tillage Equipment	310	\$11,489,970.89
Septic Systems	835	\$8,767,535.91
Other Practices	84	\$1,593,452.54
<b>Total</b>	<b>1,615</b>	<b>\$34,602,529.86</b>

## **16. COUNTY CAPACITY FOR IMPLEMENTATION**

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This program uses a revolving loan fund model. It assumes that appropriations to the program will continue until it has reached a principal balance such that the repayments from outstanding loans will equal the annual cost of pollution prevention projects implemented.

Counties have averaged \$9.84 million in loans annually for the last five years, and \$9.2 million in FY 2015. The counties oversee this program with no administrative appropriations from the state. To support the counties, the AgBMP Loan Program has streamlined the application process and is responsible for much of the program's accounting and reporting so that the counties can use their resources to identify water quality problem, work with landowners, and develop solutions. Typically, local administrators of this program (County Environmental Offices, Zoning and Planning, Soil and Water Conservation Districts) are supported by funding from the county government and with the program's simplified approach, they incorporate the program into their day to day operations with only minimal expense. It is reported by some local administrators that it costs about one hour to review and oversee a loan at an average cost of about \$100 each.

In recent years there have been other efforts that have led to increased demand for AgBMP loans:

- The state and local agencies have taken a more aggressive approach to require compliance of feedlots to Minn. Rules 7020.
- Many counties are establishing on-site sewage treatment system inventories, inspection programs, or adopting point of sale compliance requirements. In addition, the state is modifying Minn. Rules 7080 regulating on-site sewage treatment systems.
- Public waters are being assessed, designated as impaired when appropriate, and Total Maximum Daily Load Implementation Plans are being developed to resolve these impairments.

Although these factors drive increased demand, the overall economy of the nation has concurrently depressed the demand, Table 17.

- With unprecedented low prime market rates, conventional rates for comparable loan products offered by lenders are competitive and the lender will often opt for using their depository reserves rather than AgBMP Loan Program resources.
- Recent years corn and soy bean prices have been profitable for producers such that they are reducing profits by expending farm revenues to purchase equipment and reduce tax obligations rather than increased deductions by taking on AgBMP loan debt.
- With the high price in corn and bean prices, livestock producers have reduced expenses by delaying facility upgrades or reducing facility production levels.

Table 17. Loans issued by fiscal year for the last ten year period.

Fiscal Year	Number of Loans	Total Loan Amount	Total Project Cost
2006	653	\$12,013,283.88	21,005,386
2007	955	\$16,064,870.27	27,360,074
2008	730	\$13,819,725.64	21,388,122
2009	698	\$14,017,124.91	23,456,253
2010	596	\$13,006,104.47	23,524,575
2011	507	\$11,527,878.42	18,077,894
2012	500	\$11,317,147.94	18,859,099
2013	398	\$9,990,864.02	18,887,508
2014	335	\$8,791,222.93	12,400,410
2015	394	\$9,545,258.98	13,678,068

The AgBMP Loan Program expects the annual activity level to remain level until overall economic factors rebound such as a rise in interest rates or a decline in crop prices.

Our short term goals for the next five years include:

- Draw down the cash balance of the program that grew during the post 2008 recession years.
- Achieving a five year average annual activity level of \$15 million per year.

These short-term goals will be reevaluated annually and modified as appropriate.

The program's long term goal is to slowly, but continually, grow the corpus of the account to \$140 million such that repayment revenues will generate about \$20 million annually for revolving loan activity.

## **17. FISCAL MONITORING OF THE AGBMP LOAN PROGRAM**

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In FY2015, a new web-based database was developed to replace a desktop based system and incorporate recent advances in technologies. The data design of the system appears to be excellent and was immediately functional, but many of the reports previously available under the old system still must be created for the new system and will be developed and distributed as time permits.

The AgBMP Loan Program has a continual process of monitoring obligations to the program.

- Each fiscal year the AgBMP Loan Program requires each local lender to complete an Annual Verification of Account Balance which reconciles the AgBMP Program's and local lenders' financial records of their obligations to the program. Each lender receives a standardized form shortly after July 1 of each year. The form summarizes all lender activity for the year including disbursements, repayments, and borrower loan terms as previously reported by the lender. The lender is notified of any discrepancy; however, the amount must exceed \$100 before additional review of accounting records is undertaken.
- The semi-annual invoices sent out each April and October, included:
  - a summary of the local lender's total obligation to the program,
  - all transactions for the past calendar year, and
  - a repayment schedule for all future payments.
- Repayments are monitored to insure collection in a timely manner. Lenders are reminded at 30 day intervals until payment is made. All lenders are current in their obligations to the AgBMP Loan Program as of 6/30/2015.
- All disbursements issued by the program require written approval and maximum approved loan amount by the county. This is included on the program's standard loan application form.
- Requests for disbursements must be signed by a local lender and show the amount requested.
- All disbursements require independent documentation of incurred cost, such as a bill, invoice, or purchase agreement from the contractor, dealer, or supplier.
- Each disbursement request is reviewed by AgBMP staff and evaluated for :
  - its appropriateness and relation to the approved practice,
  - eligibility and appropriate funding,
  - availability of funding to the county, and
  - executed contracts with the county and the local lender.
- Whenever a transaction is made, the county and the local lender are immediately notified. In the notification they also receive:
  - an update to their existing current budget,
  - a summary of all transactions for the calendar year,
  - a summary of their total obligation to the program, and
  - any remaining budget available.

- Approximately the first of each month, each county receives a newsletter highlighting timely program issues, an update of the overall budget, the total amount disbursed, the total amount remaining, and the total amount recently repaid. (Functional in new system.)
- Each county is required in its annual report to:
  - verify any remaining balance to the current allocation and its intended use,
  - verify the use of all funds during the past calendar year,
  - report any previously unreported loan activity,
  - report the anticipated use of all anticipated repayments and revenues, and
  - estimate unmet needs for next calendar year.
- All outstanding balances held by the local lenders as shown in the AgBMP Loan Program records are independently reconciled by the MDA's finance section against the state's accounting system balances.
- The program as a whole is annually reviewed by the US EPA.

## **18. LOAN DEFAULTS**

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The AgBMP Loan Program does not issue loans directly to borrowers, rather the obligation is held by the participating lender. Because of this, the status of the underlying loans has no impact on the program, therefore the program does not require reporting of the borrower's status.

The AgBMP Loan Program requires participating lenders to provide security for their obligation to the program. Conventional lenders, such as banks and credit unions, guarantee repayment of all funds they receive from the program and pledge their liquid assets as security toward repayments. This pledge requires banks to maintain the Federal Deposit Insurance Corporation Rules § 325 - 4% Tier 1 leverage ratio to assure availability of liquid assets; credit unions are required to maintain the National Credit Union Administration's (NCUA) requirement of a minimum 7% Net Worth to Total Assets ratio as calculated under NCUA Rules & Regulations Part 702 Prompt Corrective Action; and AgriBank is required to maintain 7% Net Worth to Total Assets ratio.

County and other organizations with taxing authority may provide a General Obligation Note for an *ad valorem* tax for the full amount of the funds obtained from the program, a special assessment lien against the property receiving the benefit, or can provide an assigned cash account or security equal to 20% of the balance due, up to \$25,000.

The lender may require collateral of the borrower as they deem appropriate.

## **19. COST OF PROGRAM ADMINISTRATION**

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Federal regulations limits the administrative fees that can be charged for SRF related programs; therefore the cost of the AgBMP Loan Program's administration has been paid from legislative appropriations to the MDA. Administrative costs are funded by both the General Fund and the Clean Water Fund. During the current biennium, the MDA's total administrative cost for the program was \$379,969 . In addition, \$195,000 was used to update the program's accounting system. This cost was offset by a one-time appropriation of \$169,000 from the Public Facilities Authority.

The administrative costs are pro-rated based on the number of loans issued from each funding source and the ratio is adjusted annually. This ratio is approximately 24% Clean Water Fund with the balance from General Fund appropriations.

The program provides no administrative funds to local government units or lenders. In addition, local governments cannot charge an "administration fee" for the program, though they can collect fees for services, such as site evaluation, mapping, and technical assistance. Local lenders can collect usual and customary fees that they charge for similar conventional loan products as well as the 3% interest.

The cost of administration by the MDA over the entire life of the loan can be evaluated by the cost per loan issued and by cost per \$1,000 in loans issued as shown in Table 18. These measures include booking and servicing each loan, such as disbursement to lenders, semi-annual billing to lenders, annual account verification, monthly status reports, and all other program accounting requirements (it does not include the costs of the accounting system development). The average administrative cost for the

program during the last biennium was \$521.22 per new loan issued or \$20.72 per \$1,000 of new loan issued. These pro-rated costs are higher than prior years because of decreased loan volume during this biennium.

Table 18. Costs for administration of the AgBMP Loan Program by the MDA.

FY Year	Administrative Costs *	Loans Issued	Total \$ Issued	Cost Per Loan	Costs Per \$1000
2014	\$204,827	335	\$8,791,222.93	\$611.42	\$23.30
2015	\$175,142	394	\$9,545,258.98	\$444.52	\$18.35
Total	\$379,969	729	\$18,336,482	\$521.22	\$20.72

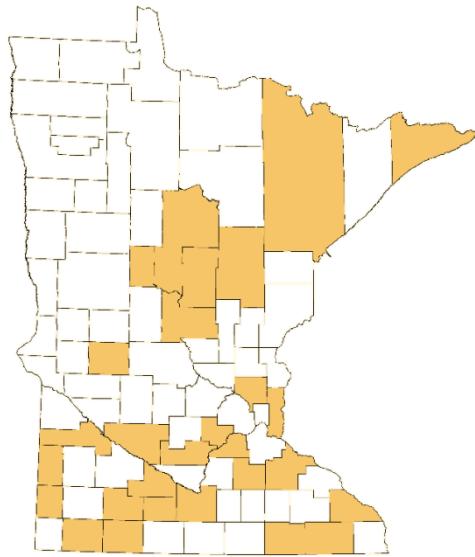
\* Does not include revision of the program's accounting system.

## 20. COUNTIES ACTING AS LENDERS

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All rural landowners need a functional septic system but obtaining financing for them is often difficult because they are expensive to install (ranging from \$12,000 to \$30,000) and typically add little value to a home. Conventional lenders have been hesitant to finance septic projects because it is difficult to secure collateral since there is nothing to repossess. However, the AgBMP Loan Program includes the option for local governments with taxing authority to act as lenders. In the past few years, the number of counties that also act as lenders has increased from only 6 to 24 today, Figure 29. Some counties have established procedures to encourage borrowers to approach the local lending institutions first, but ultimately, these counties have stepped up to fulfill the lender role when dealing with septic systems as a service to their constituents, a public health issue, and protection of the environment.

Figure 32. Counties acting as lenders in the AgBMP Loan Program.



Counties will issue a loan for a septic system and take a second position security for the loan itself. In addition they will also create a special assessment onto the benefiting property, such that if there is default, the special assessment is eventually paid by the subsequent landowner, and thus repayment of the principal is guaranteed. Some counties will offer an assumable option to the subsequent landowner.

Depending on their internal procedures, the county may either independently bill the landowner for the loan payment or incorporate it into their tax system. Nevertheless, defaults have been few because borrowers are less likely to let property taxes go into arrears.

Four counties acting as examples of this system are Anoka, Carver, Mower, and Scott. See figures 31-34, showing the wide distribution of septic systems financed with these county acting as participating lender throughout their jurisdictions.

This particular option to the AgBMP Loan Program has demonstrated the flexible nature of the program to deal with changing conditions in the environment, regulations, and the economy through the cooperation of counties, lenders, and landowners.

Figure 33. Scott County septic systems through the AgBMP Loan Program.

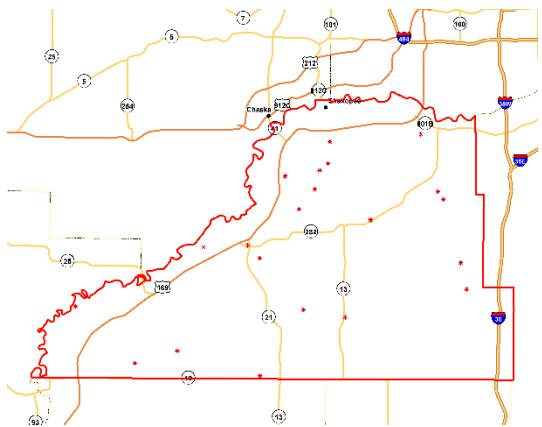


Figure 35. Anoka County septic system.

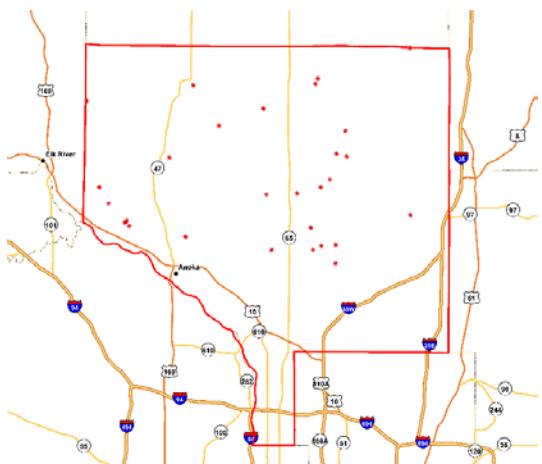


Figure 34. Mower County septic systems through the AgBMP Loan Program.

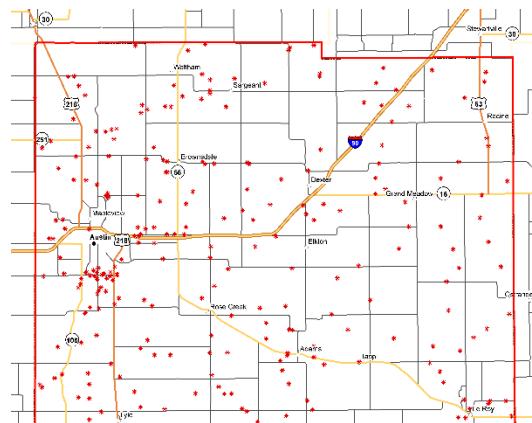
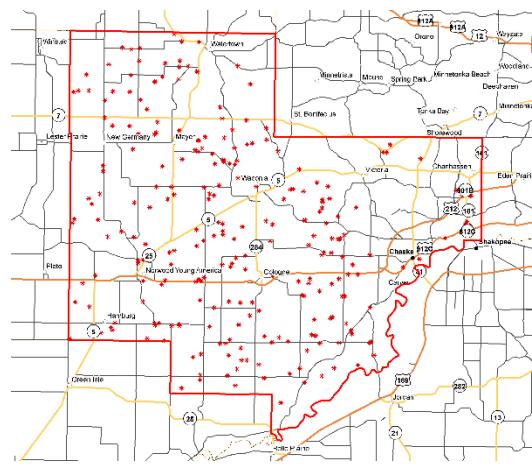


Figure 36. Carver County septic systems.



## **APPENDIX A. TOTAL ALLOCATIONS TO COUNTIES BY AGBMP LOAN PROGRAM**

LGU Name	Current Allocation	Loan Amount	Outstanding Loan Balance	Average Annual Repayments	Revolving Rate	Leverage Ratio	Pace	Cash Flow Ratio
Aitkin Cty	\$348,752.00	\$317,007.00	\$226,795.00	\$23,791.00	90.9%	1.0%	10.0%	67.9%
Anoka Cty	\$600,000.00	\$264,782.75	\$233,972.75	\$1,646.00	44.1%	6.0%	19.5%	1.4%
Becker SWCD	\$479,017.02	\$1,226,841.56	\$186,507.39	\$71,323.29	256.1%	45.4%	3.2%	465.3%
Benton SWCD	\$668,766.79	\$1,284,556.88	\$668,709.54	\$59,070.82	192.1%	54.9%	36.0%	24.5%
Big Stone Cty	\$318,565.63	\$487,196.11	\$175,066.62	\$41,952.46	152.9%	24.1%	5.5%	239.7%
Blue Earth SWCD	\$854,847.93	\$1,312,450.37	\$338,502.22	\$105,741.36	153.5%	22.1%	13.9%	89.1%
Brown Cty	\$981,809.32	\$1,884,882.09	\$540,807.00	\$280,742.73	192.0%	32.1%	1.3%	2155.4%
Carlton Env Off	\$0.00	\$50,000.00	\$0.00	\$0.00	0.0%	0.0%	0.0%	0.0%
Carlton SWCD	\$304,656.98	\$413,847.21	\$228,999.21	\$31,606.00	135.8%	33.5%	0.0%	9990.0%
Carver Env Off	\$1,932,244.45	\$2,056,405.19	\$855,817.70	\$253,522.03	106.4%	8.2%	4.3%	304.3%
Carver SWCD	\$1,076,864.19	\$1,573,675.26	\$192,175.47	\$9,853.00	146.1%	40.7%	12.6%	7.3%
Chippewa Cty	\$452,637.59	\$492,161.59	\$202,177.59	\$47,800.50	108.7%	31.3%	0.0%	9990.0%
Chisago SWCD	\$150,663.00	\$7,145.00	\$0.00	\$2,387.50	4.7%	0.0%	0.0%	9990.0%
Clay SWCD	\$702,712.12	\$815,324.12	\$394,738.12	\$42,877.00	116.0%	59.2%	1.4%	441.1%
Cook Cty	\$753,545.49	\$1,216,631.79	\$462,600.05	\$76,567.26	161.5%	11.7%	19.7%	51.5%
Cottonwood SWCD	\$1,725,597.12	\$2,965,304.12	\$894,529.41	\$203,353.60	171.8%	45.9%	14.1%	83.7%
Dakota SWCD	\$833,865.69	\$1,332,922.62	\$192,447.79	\$77,163.95	159.8%	33.3%	1.9%	478.9%
Dodge Cty	\$729,638.65	\$1,470,199.57	\$117,432.65	\$13,202.64	201.5%	34.1%	4.6%	39.0%
Douglas SWCD	\$388,146.01	\$848,646.77	\$195,639.59	\$43,760.00	218.6%	21.9%	3.5%	325.7%
Eastcentral JPO	\$926,236.07	\$2,201,592.19	\$345,072.05	\$64,409.00	237.7%	36.9%	9.0%	77.3%
Faribault Cty	\$1,352,258.56	\$2,207,614.59	\$549,422.25	\$251,978.28	163.3%	45.5%	12.7%	146.6%
Fillmore SWCD	\$2,897,107.94	\$5,418,848.87	\$1,729,183.97	\$636,402.63	187.0%	54.8%	14.6%	150.2%
Freeborn Cty	\$1,163,268.88	\$2,921,916.61	\$515,665.89	\$317,492.43	251.2%	26.3%	18.3%	148.9%
Goodhue Cty	\$2,841,362.70	\$4,518,354.93	\$1,372,192.88	\$910,210.03	159.0%	48.0%	19.7%	162.3%
Grant SWCD	\$691,770.00	\$1,108,009.00	\$290,382.00	\$133,991.50	160.2%	31.0%	6.7%	290.7%
Hennepin Cty	\$126,000.00	\$159,300.00	\$0.00	\$0.00	126.4%	8.6%	0.0%	0.0%
Houston Cty	\$636,876.80	\$869,920.40	\$219,499.25	\$114,271.28	136.6%	41.8%	6.5%	275.1%
Hubbard Cty	\$432,357.64	\$663,931.02	\$189,888.49	\$64,451.08	153.6%	12.7%	1.0%	1478.2%
Itasca Cty	\$65,932.37	\$180,034.76	\$64,414.37	\$3,634.50	273.1%	5.5%	0.0%	9990.0%
Jackson Cty	\$1,279,440.95	\$2,040,077.51	\$433,297.79	\$168,824.55	159.5%	42.0%	3.1%	426.3%
Kandiyohi SWCD	\$1,231,184.50	\$1,157,495.30	\$498,352.50	\$86,882.50	94.0%	64.5%	4.1%	173.8%
Kittson Cty	\$1,273,933.31	\$1,930,265.81	\$389,911.18	\$302,013.21	151.5%	39.7%	7.3%	324.9%
Lac qui Parle SWCD	\$659,339.90	\$1,026,908.18	\$345,511.17	\$142,367.25	155.7%	35.2%	19.8%	109.1%
Le Sueur SWCD	\$701,275.85	\$1,492,017.47	\$454,306.29	\$186,179.98	212.8%	33.4%	21.0%	126.4%
Lincoln Cty	\$1,321,597.70	\$2,562,394.50	\$778,706.30	\$189,841.74	193.9%	24.6%	15.7%	91.4%
Lyon SWCD	\$1,559,529.96	\$2,876,091.07	\$718,407.58	\$256,160.75	184.4%	34.8%	12.7%	129.7%
Mahnomen SWCD	\$140,050.72	\$196,024.72	\$109,413.72	\$14,784.00	140.0%	14.6%	0.0%	9990.0%
Martin Cty	\$1,264,716.46	\$1,305,922.46	\$281,031.51	\$138,050.00	103.3%	27.6%	0.0%	9990.0%
McLeod SWCD	\$202,067.45	\$231,934.00	\$56,382.00	\$21,967.73	114.8%	20.6%	0.0%	9990.0%
Meeker SWCD	\$311,303.21	\$357,603.79	\$136,875.21	\$23,109.50	114.9%	43.6%	0.0%	9990.0%
Morrison SWCD	\$784,851.37	\$1,022,566.05	\$306,533.74	\$140,030.19	130.3%	55.7%	11.2%	159.7%
Mower Cty PZ	\$1,649,846.24	\$1,664,017.24	\$1,295,058.24	\$102,920.50	100.9%	19.2%	18.7%	33.4%
Mower SWCD	\$1,614,104.72	\$4,428,949.20	\$1,266,457.37	\$240,216.82	274.4%	35.7%	34.0%	43.8%
Murray Cty	\$2,257,136.85	\$3,591,446.84	\$1,717,952.90	\$348,347.35	159.1%	53.9%	14.2%	108.7%
NEMN JPO	\$212,745.75	\$276,845.25	\$86,180.25	\$36,280.63	130.1%	8.9%	0.0%	9990.0%
Nicollet Cty	\$615,349.79	\$1,130,405.91	\$297,307.87	\$80,741.86	183.7%	44.8%	5.2%	253.5%
Nobles Cty	\$2,045,701.41	\$3,338,035.19	\$1,448,017.63	\$248,953.50	163.2%	41.5%	14.0%	87.1%
Norman SWCD	\$419,722.00	\$344,310.50	\$282,757.50	\$0.00	82.0%	53.5%	34.6%	-9990.0%

LGU Name	Current Allocation	Loan Amount	Outstanding Loan Balance	Average Annual Repayments	Revolving Rate	Leverage Ratio	Pace	Cash Flow Ratio
Northcentral JPO	\$1,133,875.53	\$1,644,795.59	\$597,046.10	\$124,043.12	145.1%	25.2%	4.9%	224.9%
Northwestern JPO	\$4,887,041.87	\$8,333,107.11	\$1,958,766.76	\$666,053.06	170.5%	46.6%	8.2%	166.2%
Olmsted SWCD	\$1,122,303.74	\$1,512,189.82	\$393,411.94	\$230,088.35	134.7%	42.1%	5.2%	391.6%
Ottertail SWCD	\$494,987.46	\$483,200.96	\$54,522.53	\$40,770.47	97.6%	42.7%	3.6%	227.7%
Pennington Cty	\$79,931.75	\$99,763.75	\$9,979.75	\$9,976.00	124.8%	24.6%	0.0%	9990.0%
Pipestone Cty	\$1,346,960.58	\$2,283,110.30	\$666,800.46	\$248,024.45	169.5%	31.9%	10.3%	179.0%
Pope Cty	\$1,207,231.52	\$1,249,058.63	\$606,833.01	\$76,825.00	103.5%	21.1%	0.0%	9990.0%
Ramsey	\$0.00	\$0.00	\$0.00	\$0.00	0.0%	0.0%	0.0%	0.0%
Red Lake SWCD	\$24,416.00	\$121,480.00	\$0.00	\$18,409.00	497.5%	23.5%	0.0%	9990.0%
Redwood SWCD	\$754,058.47	\$946,836.85	\$412,906.03	\$130,231.00	125.6%	27.8%	18.3%	94.5%
Renville Cty	\$825,321.24	\$1,149,370.60	\$509,971.60	\$82,655.00	139.3%	21.1%	13.8%	72.5%
Rice Cty	\$766,668.11	\$597,969.11	\$424,560.11	\$46,381.00	78.0%	1.8%	10.2%	59.2%
Rice SWCD	\$517,394.56	\$1,369,865.55	\$120,643.00	\$55,330.00	264.8%	50.5%	0.0%	9990.0%
Rock SWCD	\$1,730,833.58	\$2,643,314.50	\$1,274,342.58	\$224,724.35	152.7%	33.8%	17.6%	73.8%
Saint Louis Cty	\$496,240.00	\$503,900.00	\$260,360.00	\$44,465.00	101.5%	1.1%	0.0%	9990.0%
Scott Cty	\$926,983.18	\$1,429,022.18	\$500,783.11	\$59,965.36	154.2%	36.5%	15.8%	40.9%
Sherburne Cty	\$167,264.06	\$257,132.33	\$58,579.06	\$2,670.50	153.7%	33.5%	1.6%	98.7%
Sibley Cty	\$1,246,524.02	\$1,593,068.45	\$883,250.42	\$113,855.69	127.8%	6.2%	17.5%	52.1%
Stearns SWCD	\$872,742.40	\$1,472,792.96	\$477,599.92	\$71,219.08	168.8%	57.7%	13.6%	60.0%
Steele Cty	\$642,752.67	\$1,322,681.06	\$260,511.19	\$47,818.50	205.8%	41.5%	5.0%	148.5%
Stevens Cty	\$642,752.67	\$904,416.31	\$346,127.54	\$71,994.00	140.7%	30.5%	6.8%	165.8%
Swift SWCD	\$524,082.56	\$872,188.56	\$309,985.56	\$84,204.00	166.4%	67.2%	9.5%	168.4%
Todd Cty	\$1,147,853.64	\$1,645,677.36	\$615,530.34	\$91,050.92	143.4%	52.9%	5.6%	142.7%
Traverse SWCD	\$309,864.48	\$891,287.48	\$76,654.48	\$43,739.50	287.6%	26.1%	1.4%	1029.2%
Wabasha SWCD	\$1,518,438.45	\$2,304,232.93	\$493,104.17	\$75,919.23	151.8%	37.9%	9.0%	55.5%
Waseca Cty	\$1,726,432.48	\$3,156,048.49	\$1,101,712.27	\$266,514.11	182.8%	35.3%	0.5%	3135.5%
Washington SWCD	\$440,308.00	\$494,047.60	\$214,962.20	\$18,297.00	112.2%	20.7%	27.4%	15.1%
Watonwan Cty	\$2,289,891.84	\$2,763,619.14	\$981,612.06	\$321,892.81	120.7%	43.9%	3.0%	469.2%
WCM JPB	\$0.00	\$1,235,413.41	\$0.00	\$0.00	0.0%	34.9%	0.0%	0.0%
Wilkin Cty	\$125,859.11	\$628,163.49	\$51,993.00	\$13,516.06	499.1%	11.2%	12.0%	89.3%
Winona SWCD	\$1,478,552.10	\$2,581,882.74	\$987,085.83	\$294,892.42	174.6%	56.4%	21.5%	92.8%
Wright SWCD	\$579,254.93	\$1,009,166.93	\$270,144.94	\$106,570.91	174.2%	56.5%	1.7%	1104.9%
Yellow Medicine Cty	\$923,190.40	\$1,489,862.76	\$769,184.20	\$140,686.75	161.4%	48.0%	15.7%	97.3%

1. Total Loan Amount: Sum of all loans issued by the county since program start.
2. Current Allocation: Current total of all AgBMP Loan Program funds available to county including cash on hand and outstanding loan balances.
3. Outstanding Loan Balance: This is the remaining balance owed on active loans.
4. Average Annual Repayments: This is the annual average total repayments a county has received from participating lenders during the biennium. This value can be used as a short term estimate of future anticipated repayments.
5. Revolving Ratio: A measure of how many times the funds have been used as calculated by

$$\textbf{(Total Loan Amount) / (Current Allocation)}$$

The greater the number the more times the funds have been used or revolved, for example 100% means all funds have been used once, 200% means the funds have been used twice.

6. Leverage Ratio: A combined measure of coordination with other funding sources as calculated by:

$$1 - \textbf{(Total Loan Amount) / (Total Project Costs)}$$

A value near 0% means the AgBMP Loan Program has provided nearly all the funds. A value near 50% means the program provided about half the funding.

7. Pace: Pace represents the percentage of the Current Allocation to a county that is used each year:

$$\textbf{(Total Loan Amount for Biennium)/(Current Allocation)}$$

8. Cash Flow Ratio: The ratio of the loans for the biennium to the repayments for the biennium. When this number is large, loans issued far exceeded repayments received; when small repayments far exceeded loans issued. Values near 100% represent a balance between loans issued and repayments received:

$$\textbf{(Total Loan Amount for Biennium)/ Total Repayments for Biennium)}$$

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## **APPENDIX B. PARTIAL LIST OF ELIGIBLE PRACTICES FUNDED BY PROGRAM**

### **ANIMAL WASTE MANAGEMENT**

Abandon feedlots and manure pits  
Balzer 8500 manure spreader  
Bobcat 5300 skidsteer  
Calumet V 3250 manure spreader  
Case 430 skidsteer  
Chandler manure spreader  
Concrete slatted floor and manure pit  
Feedlot curb, gutter, and apron  
Feedlot filter strip or water diversions  
Feedlot relocation  
Feedlot roof and gutters systems to prevent runoff  
Feedlot sedimentation basins  
Fertil-gation equipment  
Gehl 5635 skidsteer  
Geo-textile and liners for manure basins  
Hoop barn manure management system  
Houle 7300 manure spreader  
Hydra manure spray equipment  
Knight transfer pump and manure spreader  
Manure collection systems  
Manure drag line, flow meter, hose reel  
Manure injection or incorporation equipment  
Manure or mortality composting facility  
Manure pumping, handling, and transfer equipment  
Manure storage basins and lagoons  
Milkhouse waste system  
Nuhn 6400 manure spreader  
Rotational grazing systems  
Separation and settling tanks  
Slurystore manure system  
Terragator  
Vandale manure spreader

### **STRUCTURAL EROSION CONTROL**

Grade stabilization  
Rock rip-rap and gabions  
Sediment control basin and diversions  
Shoreline stabilization and protection  
Stormwater diversion  
Terrace and tiling

### **CONSERVATION TILLAGE EQUIPMENT**

Agco White planter 8180  
Alloway stalk shredder  
B&H high residue cultivator  
B&H ridge planter  
Blu-jet strip till equipment  
Brillion disc ripper lcs7-2  
Brillion Land Commander  
Brillion Soil saver  
Case IH 5400 no-till drill

### **ANIMAL WASTE MANAGEMENT**

Case IH 9300 ridge till equipment  
Case IH Tiger Mate  
Caterpillar TL3-930 ripper  
Concord 4010 grain drill  
Dawn no-till planter  
Fargo 4060 air seeder  
Flexcoil 5000 planter  
Glencoe Soil Saver  
Great Plains no-till drill  
Hiniker strip till equipment  
John Deere 1690 no-till drill  
John Deere 2210 high trash cultivator  
John Deere 693 high residue corn head  
Kinse 3600 planter  
Krause 6331 tillage machine  
Salsford RTS 510 residue tool  
Soil Warrior minimum tillage equipment  
Summers 8t9446 chisel plow  
Sunflower 1434 conservation disc  
White 8106 no-till planter  
Wilrich 5800 chisel plow  
Wilrich 6600 soil saver  
Wilrich 957 ripper  
Wishick 942 no-till disc  
Yetter strip tillage equipment  
Zone till equipment

### **SEPTIC SYSTEMS**

Puraflow waste water system  
Septic treatment - cluster systems  
Septic treatment - connection to sewer system  
Septic treatment - holding tank, grinder, pump  
Septic treatment - individual system  
Septic treatment - land for drainfield

### **OTHER PRACTICES**

Ag chemical meters and spray equipment  
Agchem 854 sprayer  
Double wall tanks and secondary containment  
Redball sprayer and attachments  
Variable rate technology  
Water infiltration systems  
Waterways and grassways  
Well relocation  
Well sealing

### **ELIGIBLE BUT NOT YET FUNDED**

Conservation drainage  
Erosion control from timber harvest  
Selected “green” energy technologies

## **APPENDIX C. GLOSSARY OF TERMS, INITIALS, AND ACRONYMS**

**Ag BMP:** Agricultural Best Management Practices. Practices traditionally associated with farm operations, such as proper use and storage of manure, contour farming, conservation tillage methods, terraces, grass ways, filter strips, and buffer strips.

**Allocation:** Funds awarded to counties or local governments for projects.

**Applicant:** The local government unit that applies for AgBMP funds and will be responsible for administration of the program locally.

**Appropriation:** Funds provided by the legislature or the PFA to the MDA.

**BMP:** Best Management Practices. Practices, techniques, and measures, that prevents or reduces pollution by using the most effective and practicable means of achieving water and air quality goals. Best management practices include, but are not limited to, official controls, structural and nonstructural controls, and operation and maintenance procedures.

**Borrower:** A farmer, rural landowner, farm supply business, or water quality cooperative that implements a project.

**BWSR:** Board of Water and Soil Resources. One of several state agencies that assist local governments to implement water and soil related environmental programs. It provides oversight to several state cost-share programs.

**CLWP:** Comprehensive Local Water Plan. The planning document prepared by local units of government to identify water resource issues, establish priorities and develop action plans to address issues.

**Disbursement:** Funds sent to a designated Local Lender to finance an approved project.

**EPA:** United States Environmental Protection Agency. The federal agency responsible for administration of the Clean Water Act and oversight of the SRF accounts.

**JPB or JPO:** Joint Powers Board or Organization. A formal group of Soil and Water Districts or counties formed to provide mutual benefits to the membership. JPOs may apply for AgBMP funds.

**LGU:** Local Government Unit. In this report, this refers to a county, a Soil and Water District, or a joint powers organization of these two government units that is responsible to locally implement the AgBMP Loan Program.

**Local Lender:** Any eligible financial institution that services the loan and provides a guarantee of repayment to the MDA for any loans provided.

**MDA:** Minnesota Department of Agriculture. The state department responsible for oversight of the local government units' implementation of the AgBMP Loan Program and their accounting of funds from the SRF and other appropriations.

**MPCA:** Minnesota Pollution Control Agency. The primary environmental protection agency in Minnesota.

**NRCS:** Natural Resource Conservation Service: This is an agency of the U.S. Department of Agriculture that offers help to individuals, groups, towns and other units of government to protect, develop and wisely use soil, water and other natural resources.

**PFA:** Public Facilities Authority. This is the state agency responsible for accounting and management of the SRF.

**SRF:** State Revolving Fund, a permanent revolving fund established under the federal Clean Water Act.

**SSTS or ISTS:** Subsurface Sewage Treatment System. On-site sewage systems that treat less than 10,000 gallons per day.

**TMDL:** Total Maximum Daily Load. This is a calculation of the maximum amount of a pollutant that a water body can receive and still safely meet water quality standards.