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Agricultural Best Management Practices Loan Program Biennial Status Report



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Executive Summary

In 1994 the Minnesota Legislature enacted initiatives to provide long term, sustained funding to resolve nonpoint source water pollution problems. One section of this initiative was the Agricultural Best Management Practices (AgBMP) Loan Program, created to assist local governments implement agricultural and rural components of their Comprehensive Local Water Plan and includes recent efforts related to Total Maximum Daily Load Implementation 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 the area's local water plans. The program uses a perpetual revolving loan account structure where repayments from prior loans are reused to fund new loans.

Individual counties, Soil and Water Conservation Districts, and joint power organizations representing multiple counties may participate in the AgBMP Loan Program as local administrators. Financial institutions providing adequate security and repayment guarantees may participate as lenders under the program.

This report summarizes activities of the AgBMP Loan Program through June 30, 2007. The program has been appropriated \$56.2 million since 1995. These funds have been awarded to 85 of the state's 87 counties and have financed 8,187 projects with total loans of \$109.7 million. The total value for all completed projects is estimated to be \$167.1 million. The figure below shows a summary of the amount of loans issued by practice category.

- 1,649 Animal agriculture management practices have been implemented throughout the state. These systems included 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.
- 210 Structural erosion control practices have been funded 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.
- 2,729 Conservation tillage practices have been implemented, funding various types of seeding, cultivation, and harvest implements that leave crop residues on the soil surface.
- 3,550 On-site sewage treatment systems on farms and rural properties have been repaired or replaced through this program.
- 49 Other Projects, including well sealing; chemical and petroleum storage containment structures; and chemical spray equipment have been funded through the program.

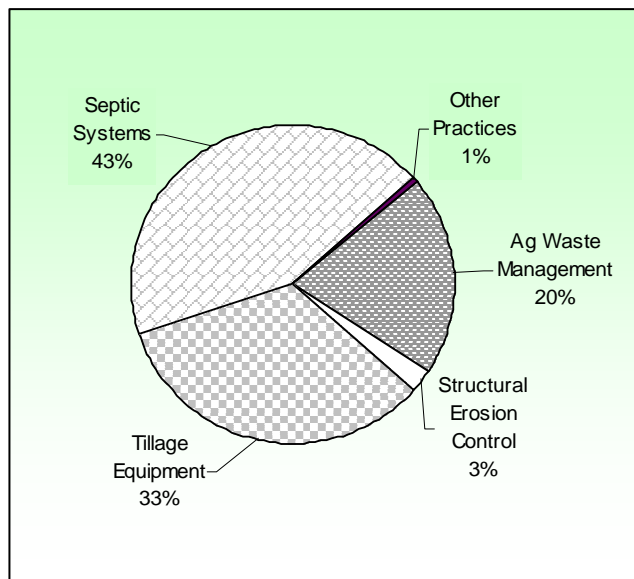


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INTRODUCTION

A. Purpose

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, and other environmental planning documents. The AgBMP Loan Program provides funds through local governments (Soil and Water Conservation Districts, county government, or joint power organizations) and local lending institutions (banks, credit unions, AgriBank, Regional Development Commissions, counties). These 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 shoreline and riparian stabilization practices. This program is an adaptable framework to distribute environmental remediation funds, regardless of the source of the appropriations.

B. History

1. “Governor’s Environment 2000 Initiative”

The 1994 Legislature enacted a multi-faceted initiative to fund projects targeting nonpoint source water quality problems. This initiative coordinated the efforts of the Minnesota Department of Agriculture (MDA) with other agencies including the Minnesota Pollution Control Agency (MPCA); Board of Water and Soil Resources (BWSR); Department of Employment and Economic Development (DEED); and Public Facilities Authority (PFA) to address nonpoint source pollution problems by encouraging private citizens to implement remedial actions. The initiative also amended Minnesota Statutes §446A.07 subd. 8(4) to allow for the use of the State Revolving Fund (SRF) for nonpoint source purposes. Approximately \$79.4 million from the State’s SRF – Water Pollution Control Account has been appropriated to implement these programs to date, Table 1. These funds can finance a broad range of nonpoint source pollution prevention practices such as:

- Animal agriculture pollution control systems
- Structural erosion control practices
- Conservation tillage equipment
- Storm water management
- Abandoned well sealing
- Contaminated run off control systems
- On-site treatment septic systems

Table 1. Summary of SRF appropriations to nonpoint source programs in Minnesota, as of 6/30/2007.

Agency	Amount Appropriated
MDA	\$48,200,000
MPCA	\$29,295,697
DEED Small Cities Loan Program	\$750,000
DEED Tourism Loan Program	\$1,129,656
Total	\$79,375,353

2. Operating Plans and Agreements

The AgBMP Loan Program is implemented through a number of planning documents and agreements.

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

Operating Agreement: The relationship between the US Environmental Protection Agency (EPA) and Minnesota concerning the State Revolving Fund (SRF) is defined in the Operating Agreement. 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 such as fund transfers, and reporting.

Interagency Agreement: The relationship between the Minnesota Public Facilities Authority (PFA) and the MDA is defined by an interagency agreement. A new agreement authorizing the use and transfer of funds from the PFA to the Department is prepared each time funds are appropriated. It defines the amount of funds available, how they may be used, and requires appropriate accounting and reporting.

Intended Use Plan (IUP): Each year the MPCA and PFA prepare the Intended Use Plan (IUP) describing how all the funds in the SRF accounts will be used. It describes the proposed use and distribution of the Capitalization Grant from the EPA as well as any funds that are anticipated to become available within the next year through repayments, rescissions, and interest income. The IUP is opened for public review and comment. Typically the IUP identifies municipalities that will receive funds for waste treatment works; anticipated amount of bond sales, any additional funds that will be made available to the agencies and departments implementing nonpoint pollution programs (such as the AgBMP Loan Program), and a general description of all programs and eligible projects.

Comprehensive Local Water Plan (CLWP): All counties in Minnesota are required to prepare a CLWP including water resource inventories, public meetings, and comment periods. The plan identifies specific local water resources, problems affecting the water resources, and action plans to reduce water pollution. Implementation of this CLWP is a critical feature of the AgBMP Loan Program. The CLWP is the local plan that provides targeting and prioritization for proposed AgBMP projects.

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 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. The AgBMP Loan Program can provide loans to finance practices recommended by these plans.

3. Legislative History

The Agricultural Best Management Practices Loan Program was first authorized in 1994 with a spending limit of \$20 million from the SRF. This legislation (Minn. Stat. § 17.117) defined the overall purpose and procedures of the loan program and established a subcommittee of the state's 319 Project Coordination Team (Minn. Stat. § 103F.761 Subd. 2(b)) to review and rank applications.

An amendment to the legislation was passed in 1995 to simplify the loan process and allow counties to act as lenders for themselves.

In 1996, the spending authority for the AgBMP Loan Program was increased to \$40 million, and in 1999 the spending authority was increased to the present \$140 million.

In 2001, legislative amendments allowed the expansion of the lending network, permitting more than one designated lender to serve an area. Over 132 lenders (plus numerous branch offices of these lenders) have signed up under the multiple lender system in addition to the original 56 lenders with contracts issued under the authority of the original, single designated lender legislation. The contracts issued

under the original 1994 legislation will continue to be honored; however, no additional funds have been disbursed under those contracts since 2005. These original contracts will be retired as loan obligations are repaid. This process will slowly convert the original lenders to the multiple lender system, thereby giving all lenders equal footing in the program.

In 2005, the loan limit for multiple connection septic systems was raised to \$100,000 and the maximum length of all loans was increased to ten years, except for conservation tillage equipment loans which remained at five years.

The 2007 amendments raised the maximum loan amount for any practice to \$100,000; permitted any category of loan to be amortized over a maximum of ten years; authorized water quality cooperatives (organizations that operate and maintain cluster septic systems) to be eligible recipients; and changed the accounting classification of the AgBMP accounts to *special revenue*.

ALLOCATION PROCESS TO COUNTIES

A. Annual Allocation

(For the purpose of this report, the term *allocation* refers to the award of funds by the Department to the county or other local government unit, while the term “appropriation” refers to the award of funds by the state legislature or the Public Facilities Authority to the Department. Through the remainder of this report, the term *county* will refer to the local government unit implementing the AgBMP Loan Program, whether 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.)

The AgBMP application process was simplified by the 2001 amendments to the authorizing legislation. Each participating county applies for an *annual allocation* that is available to them for the one calendar year. In addition, this application process for new funds includes a report of how previously awarded revolving funds were used during the past year and how they intend to use the local revolving funds during the next year.

The annual allocation includes:

- Funds from recent appropriations allocated under the annual application process. These funds include any newly appropriated funds to the program such as from the legislature or the PFA.
- Funds carried over from the previous year’s allocation that are committed to projects. The local government must either use or commit the funds in their allocation within the current calendar year or it is rescinded and is available for redistribution to other counties. If funds are committed to specific projects that have not been completed by the end of the year, the funds may be carried over and added to the next year’s allocation.
- Funds that have been repaid to the MDA from previously completed projects. As a revolving loan program, all repayments that the Department receives are automatically reallocated to the same county from which the repayment was received.

B. Interim Allocations

Counties may also request an *interim allocation* of additional funds under certain conditions. These additional funds may be awarded when:

- a) A county has exhausted its current annual allocation and all available revolving funds, or the borrower is unable to obtain a loan through a lender holding a local revolving account,
- b) A proposed project is ready to proceed (costs will be incurred within three months), and
- c) The Department has unallocated funds available.

The Commissioner is authorized by statute (Minn. Stat. §17.117 subd.6b.(c)) to reserve up to two percent of the total AgBMP appropriations for these interim allocations.

C. Cash Flow Process

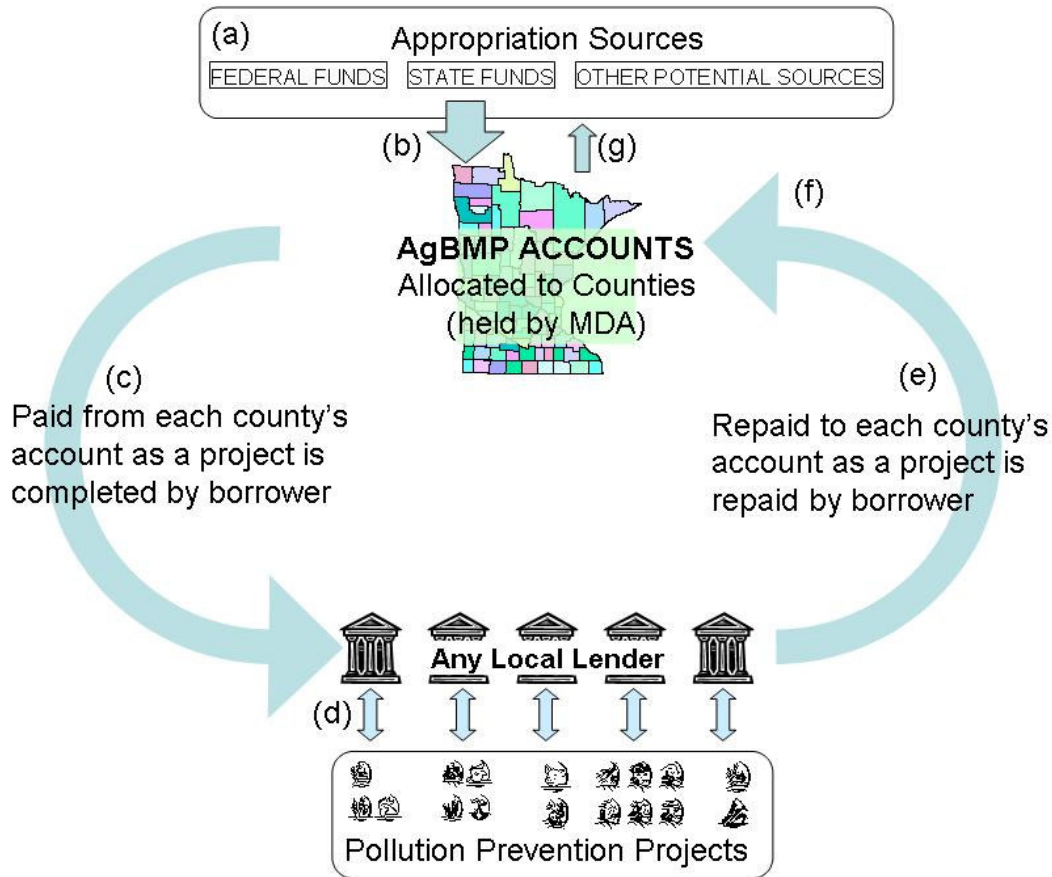
Figure 1 shows a flow chart of the funds through the AgBMP Loan Program. The process to finance a project follows these steps (letters correspond to items on Figure 1):

- (a) The Department may receive funds from state and federal sources.
- (b) Through the annual application process or interim allocations, these funds are allocated to counties. The money is not sent directly to the counties, instead the funds are held by the Department in accounts designated for the use of 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 funds to the Department as the borrowers repay them.
- (f) The repaid funds are deposited into the allocation account for the county from which the repayment was received. The process then will perpetually repeats itself from (c) to (f) for as long as the county uses the funds.
- (g) If funds are not used, they are rescinded and made available to all counties.

Under this system, as repayments are received, the money will be reallocated back to the same county the following year (or sooner when requested by the county). This procedure creates a county revolving account that is held by the Department from which multiple 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.

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 (e) from prior loans would not be fully used. If those repaid funds are not used within one year, they would 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.

Figure 1. AgBMP Loan Program Funding Flow Chart.



In the past, 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.

D. Competitive Application Process

Beginning in the fall of each year, the MDA announces the application period for the program, affording the counties several months to prepare and submit applications. The MDA holds several (usually 5) workshops each year to assist counties in completing their applications. The application allows local governments to describe their local funding needs in relation to their Comprehensive Local Water Plan, legislative criteria, and the program's purpose. The primary questions asked in the application process are: What are the local water quality problems and their causes? What are the solutions? What are the county's priorities? What are the benefits of proposed solutions? The applications require the local governments to summarize their proposed scope of work into five major categories:

1. Animal Management Practices, including projects such as manure storage basins and tanks, manure handling, loading and application equipment, physical improvements to feedlots that prevent runoff or groundwater contamination, and odor control practices.
2. Structural Erosion Control Practices, 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. Conservation Tillage Equipment, including both cultivation and seeding equipment designed to maintain crop residues to slow or prevent field runoff and reduce erosion. Various types of cultivators, chisel plows, rippers, air seeders, and planting drills are typically financed.
4. On-site Sewage Treatment Systems, including repair or upgrade of existing, non-conforming Subsurface Sewage Treatment System (SSTS) on farms or rural properties. These systems may include single or multiple structures (cluster systems).
5. Other, including practices such as well sealing, chemical and petroleum storage, chemical spray equipment, and other practices to prevent pollution.

Applications are reviewed, evaluated, and ranked by the Review Committee established under Minn. Stat. § 17.117 subd. 9 and 103F.761 subd. 2(B). This committee is composed of representatives from the Departments of Agriculture, Health, and Natural Resources; the Pollution Control Agency; the Board of Water and Soil Resources; the Association of Minnesota Soil and Water Conservation Districts; Association of Minnesota Counties; the US Natural Resource Conservation Service; and the Farm Services Agency. Their evaluation is based on nine statutory requirements and other criteria established by the committee. This committee submits to the Commissioner of Agriculture their recommendations for the allocation to each applicant. The committee strives to provide significant funding to the best applications, yet has made a commitment to provide a reasonable minimum funding level to all applicant counties whenever practical.

In addition, because this committee represents other state and federal agencies that also offer funds for conservation and environmental practices, the awards for the AgBMP Loan Program are made with consideration to cooperate, coordinate, and leverage funds from other agencies and other programs such as the Clean Water Legacy Program and federal Environmental Quality Incentive Program.

The county may submit either of two types of applications:

1. Competitive applications requesting up to \$300,000. These applications must address each of the statutory criteria in detail. This type of application must be specific in terms of practices, water resources, and high priority water quality problems. With lesser amounts in new appropriations to the program, there have been only one or two successful competitive applications each year since 2004.
2. Basic applications requesting less than \$100,000. These applications propose a number of practices that address local water quality problems and local water priorities but do not provide the level of details required for the competitive applications. When basic allocations are awarded, all applying organizations receive the same amount, based on the number of counties in the organization. The basic application requests have not been funded since 2005 because appropriations were limited.

This two-tier application process has allowed those counties with aggressive water quality protection programs to receive significant funding, while reducing the administrative requirements for counties seeking only a base level of funding.

E. Interim Allocation Process

When the amount of new appropriations from state and federal sources to the program is small compared to the demand, the competitive and basic application processes have not been an effective procedure for funding the vast number of potential projects proposed. Instead, the interim allocation process authorized under the 2001 legislation has been used predominately with great success and satisfaction by local governments. Only pending projects that are ready to proceed within three months have been funded with new appropriations through the Interim Allocation Process. If projects are considered tentative, the county is encouraged to project their cash flow and budget future revenue from their revolving account to finance the project. Because interim allocations are awarded based on actual projects that are ready to proceed, these awards are seldom idle and nearly all funds are almost always expended. Counties have accepted this process as a fair means to distribute funds.

F. Targeting and Prioritization

The AgBMP Loan Program uses two levels of prioritization and targeting of funds for implementing best management practices. At the statewide level, Minnesota's 319 Nonpoint Source Management Plan prioritizes and establishes broad objectives. At the local or county level, a local water planning process develops the Comprehensive Local Water Plan (CLWP) which identifies water resources, prioritizes problems, and establishes local goals and solutions. Total Maximum Daily Load Implementation Plans provide additional guidance in targeting types and locations of projects.

Under the annual allocation process, a county proposes projects that it anticipates implementing during the next year using its previously awarded revolving funds and additional new allocations. The priorities for these projects are related to action plans of the CLWP or other environmental planning documents. In the application, the priority water resources are identified, potential projects are outlined, and the number and estimated budget for the practices is summarized. In some cases, specific projects with committed landowners are identified; however, commitment of a landowner to implement a specific project is not required at the time of the county's application. If a project has been previously identified and approved, but has not been completed, the county can carry over the funds committed to the project funds from one year to the next year.

At the local government level, each county establishes a targeting and prioritization system for selecting and implementing the specific practices that carry out agricultural and rural components of the CLWP. In most situations, the counties actively seek the participation of farmers and landowners who will:

- Implement specific types of practices to address priority water quality problems anywhere within their jurisdiction.
- Implement any eligible practices within targeted, priority water resource areas.

Farmers and landowners proposing projects in lesser-priority areas will also be considered for loans if funds are available.

Counties typically have a review panel to evaluate eligibility of high cost projects, technical feasibility, project priority, and the amount of funds to be made available to proposed projects. For low cost projects, such as on-site sewer systems, a staff member is usually authorized to approve projects without board action.

The MDA does not establish priorities or target areas for the counties. This program has successfully implemented thousands of practices because it is the local government's responsibility and desire 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 convert reported recommendations into projects that are both effective and economical.

REQUESTED FUNDING AND SCOPE OF WORK

A. Past Requests

Each year, funding requests from counties have exceeded available funds. The Department has implemented steps to insure that counties utilize their available resources first and that the amount requested is reasonable. These procedures have reduced the difference between the amount requested and the amount available for allocation. These requirements include:

1. All revolving funds must be incorporated into the proposed work plan.
2. Applications for new funds are limited to unmet needs of their proposed work plan.
3. Funds allocated previously may be committed and carried over into the next allocation for approved projects. Uncommitted funds are rescinded.

4. Applications are limited to either \$100,000 or \$300,000.

In the 2007 applications, 78 local governments proposed work plans totaling \$32.2 million. Revolving funds would provide \$14.8 million toward meeting their needs, while their unmet need was \$17.4 million. Most counties submit applications that emphasize agricultural impacts. Implementing conservation tillage practices composed 35% of the request; upgrading animal agriculture management practices contributed 34% of the requests.

B. Appropriations to the AgBMP Loan Program

Although the Legislature sets the spending limits for the AgBMP Loan Program, the amount of new funding from the state’s SRF account appropriated to the AgBMP Loan Program is determined by the PFA. Before making its appropriation to the Department, the PFA reviews the status of the SRF Capitalization Grant to the State, requests from other programs using SRF funds (including municipal waste treatment plants), interest rates, bond ratings, and other factors. Based on these factors, an appropriation, if any, is made to the AgBMP Loan Program.

The AgBMP Loan Program has also received direct appropriations totaling \$8 million from the Legislature.

The spending authority of the AgBMP Loan Program is \$140.00 million. The program funded at 40% of the spending authority.

Table 2 shows the amount appropriated to the AgBMP Loan Program from state and federal sources.

Table 2.Appropriation to the AgBMP Loan Program.

Fiscal Year of Appropriation	Appropriation Citation	Amount Appropriated
07/01/1995	Public Facilities Authority	\$10,000,000.00
07/01/1996	Public Facilities Authority	\$10,000,000.00
07/01/1997	1997 Session Law Chap. 246 Sec. 6	\$4,000,000.00
07/01/1997	Public Facilities Authority	\$7,159,494.00
07/01/1998	1998 Session Law Chap. 404 Sec. 9(8)	\$9,000,000.00
07/01/1999	Public Facilities Authority	\$3,840,506.00
07/01/2000	2000 Session Law Chap. 492 Sec. 10(3)	\$1,000,000.00
07/01/2000	Public Facilities Authority	\$1,000,000.00
07/01/2001	Public Facilities Authority	\$1,000,000.00
07/01/2002	Public Facilities Authority	\$1,000,000.00
07/01/2003	Public Facilities Authority	\$1,000,000.00
05/10/2004	Public Facilities Authority	\$2,000,000.00
04/01/2006	Public Facilities Authority	\$1,000,000.00
06/30/2006	2006 Session Law Chap. 282 Art. 10 Sec 4(a)	\$1,000,000.00
04/26/2007	Public Facilities Authority	\$1,200,000.00
05/04/2007	2007 Session Law Chap. 45 Art. 1 Subd 3	\$2,000,000.00
	TOTAL	\$56,200,000.00

C. Allocated Funding and Revised Scope of Work

When allocations are made by the MDA, local governments are notified of their award amount. If the award is less than they requested, they are asked to adjust their scope of work to match the funds allocated. Each applicant is allowed latitude in revising the scope of work, and may choose to fund the top priority categories of projects or pro-rate the funding based on the proportions in the original application.

Table 3 summarizes the current proposed number of projects and budget for each of the funding categories, based on all executed allocation awards at the time of this report. Conservation tillage has been budgeted the most funds while upgrading SSTS projects are the most numerous.

Table 3. Summary of the number and the cost of proposed projects for the 2006 allocation for the AgBMP Loan Program, 6/30/2007.

Category	Proposed Number of Loans	Proposed Budget for each Category ¹	% of Funds Allocated
Animal Agriculture Management	54	1,386,554	27%
Structural Erosion Control	9	73,437	1%
Conservation Tillage Equipment	80	2,413,764	47%
Septic Systems	249	1,217,756	24%
Other Practices	2	3,000	<1%
Total	394	\$5,094,511 ²	

¹ Does not include proposed use of local revolving funds.

² \$17.4 million was the total requested through the application process.

D. Impaired Waters Activities

In the annual application process counties are asked to predict their activities to address impaired waters. There were 35 respondents to this question. Those counties that did respond estimated that an average of 42% of all their funds are used for projects in impaired waters watersheds. This suggests that the AgBMP Loan Program implemented projects totaling at least \$5.3 million to benefit impaired waters during the last fiscal year.

E. Borrower and Cost-share Coordination

The AgBMP Loan Program can finance the total project cost, up to \$100,000 for all practices. Table 4 shows a summary of the average reported total project cost, average AgBMP loan amount, and the percentage that AgBMP loans contribute toward the total cost of projects funded through the AgBMP Loan Program based on the invoices submitted to the MDA for disbursement for the last five years. The AgBMP Loan Program provides, on average, financing for 61% of the total cost of projects, while the borrowers generally establish significant equity (39%) at the project's outset from personal resources, cost-share programs, equipment trades, or other financial resources. (The reported total project cost may underestimate the true amount because some loan requests provide only enough bills and invoices to document the cost of the project financed by the loan. For example, invoices for excavation of a manure pit may be received; however, other costs incurred but not reported as a part of the loan might include concrete work, fencing, tiling, and lining of the pit. Nevertheless, the actual total cost always equals or exceeds the amount reported.)

Table 4. Summary of average loan amount, total project cost, and percentage of project paid from non-AgBMP funds for the last five years.

Category	Average Total Project Cost	Average AgBMP Loan Amount	Contribution of AgBMP Funds to Total Practice Cost
Animal Agriculture Management	\$51,000	\$24,200	47%
Structural Erosion Control	\$19,500	\$9,700	50%
Conservation Tillage Equipment	\$32,700	\$20,900	64%
Septic Systems ¹	\$7,600	\$6,900	91%
Other Practices	\$34,200	\$16,900	49%
Overall Average	\$25,100	\$15,300	61%

¹ Cluster systems (those over \$20,000) were excluded from the average loan amount calculation.

State and federal cost-share programs provide grant assistance (cost-share grants are gifts and are not repaid; AgBMP loans must be repaid) to farmers and landowners for implementing specific types of practices that benefit the environment. State cost-share funds are typically passed through the BWSR.

The NRCS oversees federal cost-share funds. Like the AgBMP Loan Program, county Soil and Water Conservation Districts usually coordinate both cost-share programs. In addition, the State has also provided technical engineering assistance through the BWSR's Nonpoint Engineering Assistance Program for funding design of best management practices. Because these programs are locally administered and housed in the same local government office, there is great cooperation and coordination between the state and federal programs, the funding sources, and technical assistance to effectively and efficiently implement practices.

State and federal cost-share programs have changed in recent years and have established differing limitations. State cost-share is permitted to finance up to 75% of the total cost of constructed practices with a maximum grant of \$50,000 per project, while federal cost-share is now up to 50% of the project cost with no maximum grant limit. State cost-share grants to feedlot operations are also limited to facilities with less than 500 animal units. AgBMP loans are limited to facilities with less than 1,000 animal units and do not possess a National Pollution Discharge Elimination System (NPDES) permit. Federal cost-share grants are not limited by the size of the operation.

Historically when state and federal cost-share grants were given for constructed practices, typically only 50% of the costs were provided because of maximum grant amount limits, availability of funds, and local funding policies. (Constructed practices include projects such as manure basins, diversions, filter strips, waterways, terraces, and sedimentation basins.) In many cases, the farmers who receive cost-share will also request an AgBMP loan for the balance of the project's cost. In addition, farmers can request loan assistance for manure handling and application equipment that is not cost-share eligible, yet equally as important for the effective operation of a complete manure management system. AgBMP low interest loans and cost-share funds provide a strong incentive to farmers to implement practices that prevent water pollution.

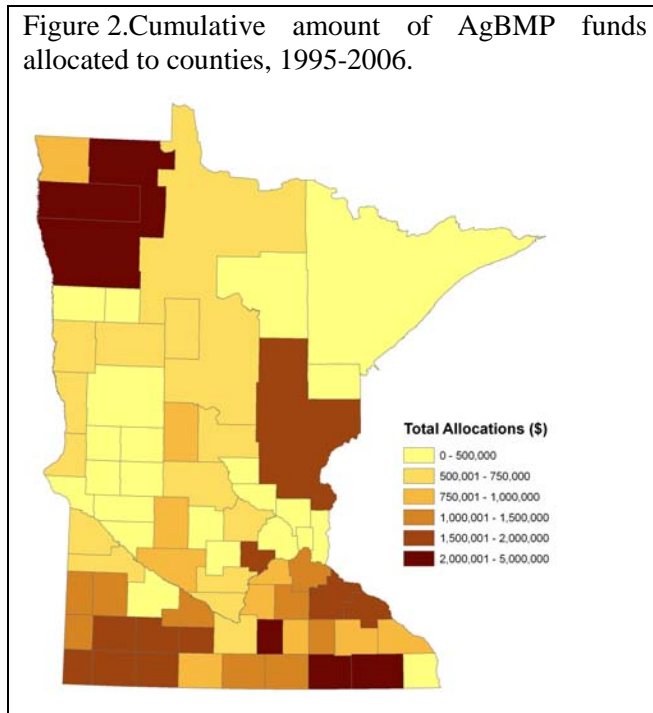
It is the local county governments that coordinate AgBMP loans and cost-share funds, not state level agency administration. These local government organizations provide the strategic service of evaluating projects; determining eligibility for potential funding sources; establishing priorities; and submitting the appropriate applications, proposals and plans to assist the farmer to obtain financial assistance while achieving environmental objectives of the Comprehensive Local Water Plan. 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 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.

CURRENT STATUS

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 6/30/2007. This includes the federal SRF funding, state SSTS appropriations, and other state funds.

A. All Years Combined

Figure 2. Cumulative amount of AgBMP funds allocated to counties, 1995-2006.



The 2006 allocation was \$5.1 million (Table 3, page 9). The MDA has disbursed \$59.7 million to local governments under past allocations since 1995.

Through 6/30/2007, 8,187 practices totaling \$109.7 million in loans have been completed through this program. The program currently issues an average of \$400,000 in loans each month. Appendix A shows a summary of the allocations to each county through this program. During the last five years the average number completed per year was 788. There were 947 practices completed during the last fiscal year.

Loans are issued through two processes. First-time loans (identified as 1st generation loans) funded from newly appropriated monies have financed 4,814 projects to date. The local revolving loan accounts are funding an increasing number of projects each year. There have been 3,657 projects totaling \$50.0 million that were financed as subsequent loans with

funds from local revolving accounts, Table 5 and Table 6. (Although the funds are revolved many times creating several generations of loans, all loans, except the 1st generation loans issued from a new allocation, will be identified or categorized as “2nd generation loans”.)

Table 5 shows the total number and amount of loans, including 1st and 2nd generation issued by fiscal year. The annual average number of projects completed during the last five years is 789 and the average amount financed is \$12.2 million per year.

Table 5. Summary of the number and amount of loans issued by fiscal year for 1st and 2nd generation loans, as of 6/30/2007.

Fiscal Year	1st Generation Revolving Loans ¹	2nd Generation Loans ¹	Total Number of Loans ¹	Total Loan Amount
1996	\$3,645,461	\$0	280	\$3,645,461
1997	\$6,843,700	\$67,424	613	\$6,911,124
1998	\$6,808,328	\$240,570	614	\$7,048,898
1999	\$5,912,347	\$440,637	590	\$6,352,983
2000	\$5,429,542	\$3,164,354	767	\$8,593,896
2001	\$4,265,779	\$3,227,143	755	\$7,492,922
2002	\$6,350,019	\$2,404,756	621	\$8,754,775
2003	\$4,107,773	\$7,749,103	927	\$11,856,877
2004	\$3,417,133	\$5,242,961	650	\$8,660,093
2005	\$4,806,755	\$7,904,790	783	\$12,711,546
2006	\$3,916,110	\$7,866,031	640	\$11,782,141
2007	\$4,176,776	\$11,729,756	947	\$15,906,532
TOTAL	\$ 59,679,723	\$ 50,037,525	8,187	\$ 109,717,248

¹ Some projects received loans spanning fiscal years; therefore the sum of the "Total Number of Loans" column by fiscal year is slightly different from total number of loans shown elsewhere in this report or prior reports.

Table 6 separates the various loans between the new and revolving fund sources by category of practice; however, the remainder of the information provided in this report combines the information from both the 1st generation and 2nd generation revolving account loans to provide an overall perspective of program accomplishments.

Table 6. Summary of number and costs of completed practices by category, as of 6/30/2007.

Category	1st Generation Loans from New Allocation		2nd Generation Loans from Revolving Accounts		Total Loans from Either Fund		Total Project Costs
	No.	Amount	No.	Amount	No.	Amount	
Animal Agriculture Management	1,123	\$23,694,960	612	\$12,535,822	1,649	\$36,230,782	\$67,907,208
Structural Erosion Control	151	\$1,106,290	66	\$577,131	210	\$1,683,422	\$3,571,186
Cons. Tillage Equipment	1,320	\$20,797,718	1,496	\$26,938,887	2,729	\$47,736,604	\$71,539,873
Septic Systems	2,195	\$13,793,377	1,458	\$9,583,350	3,550	\$23,376,727	\$22,827,995
Other Practices	25	\$287,379	25	\$402,334	49	\$689,712	\$1,218,519
Total	4,8141	\$59,679,724	3,6571	\$50,037,524	8,1871	\$109,717,248	\$167,064,780

¹ Some projects received both 1st and 2nd generation funds so the total number of loans shown in the "Total Loans from Either Fund" column is less than the sum of 1st and 2nd generation loans issued.

Over 8,180 projects have been completed, located in nearly all counties since the start of the program, Figure 3. There were 947 completed during 2006. 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. Table 7 summarizes farm and non-farm participation in the program by these categories as reported by the county.

Table 8 shows the percentage of all loans by category, based on number and total amount of loans issued.

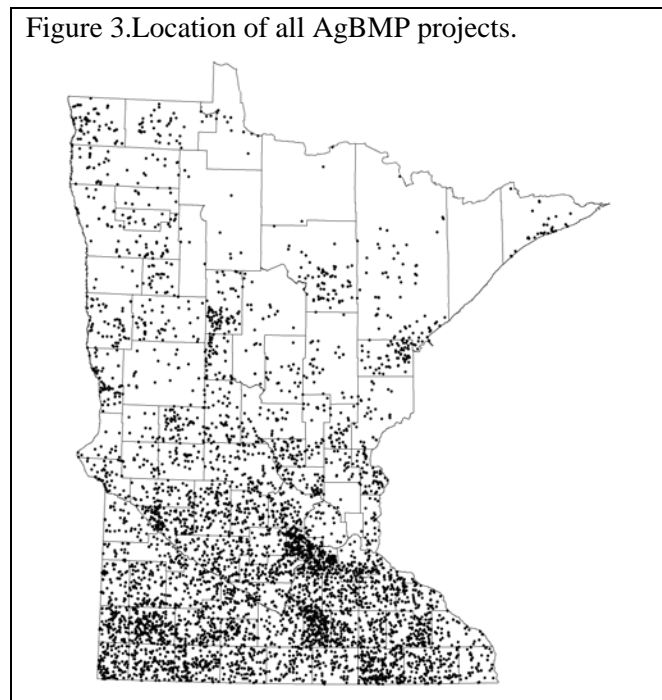


Table 7. Summary of farm/non-farm participants in the AgBMP Loan Program.

Category	Farm	Non-Farm	Not Reported
Animal Agriculture Management	1,649	0	0
Structural Erosion Control	181	22	7
Cons. Tillage Equipment	2,729	0	0
Septic Systems	1,412	1,350	788
Other Practices	36	3	10
Total	6,007	1,375	805

Table 8. Percentage of loans issued by number and total dollar amount.

Category	Percent of Loans Issued	
	% by Number of Loans	% by Amount of Loans
Animal Agriculture Management	20%	33%
Structural Erosion Control	3%	2%
Cons. Tillage Equipment	33%	44%
Septic Systems	43%	20%
Other Practices	<1%	<1%

B. Completed Projects by Category

1. Animal Agriculture Management Systems

During the last fiscal year there were 164 animal agriculture management loans completed. The five year average is 149 per year. Since 1995, there have been 1,649 animal agriculture loans issued to complete approximately 2,030 animal waste management projects throughout the state, Figure 4. These loans implemented one or more practices including the replacement or upgrading of manure holding basins, pits, or tanks (570); manure handling, spreading, or incorporation equipment (1,240); and other manure management practices such as feedlot improvements, clean water diversions, berms and chutes, and rotational grazing (220).

Table 9. Percentage of loans issued to various types of animal production operations.

Type of Operation	Percentage
Pork	23%
Dairy	23%
Cattle	2%
Other or Not Reported	27%

Figure 4. Location of animal agriculture management projects, as of 6/30/2007.

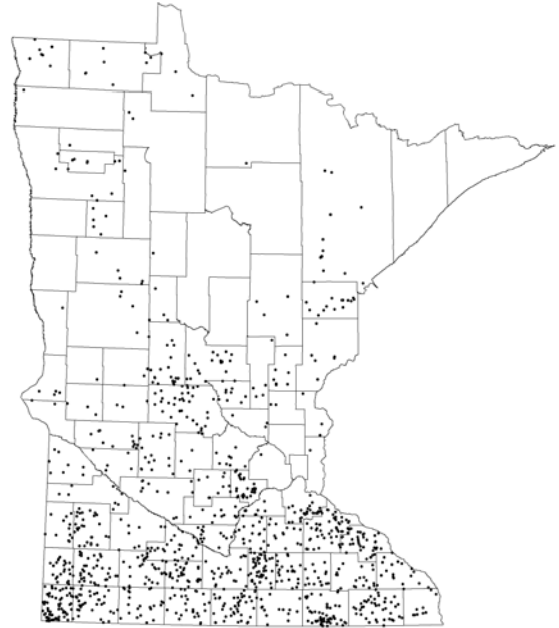
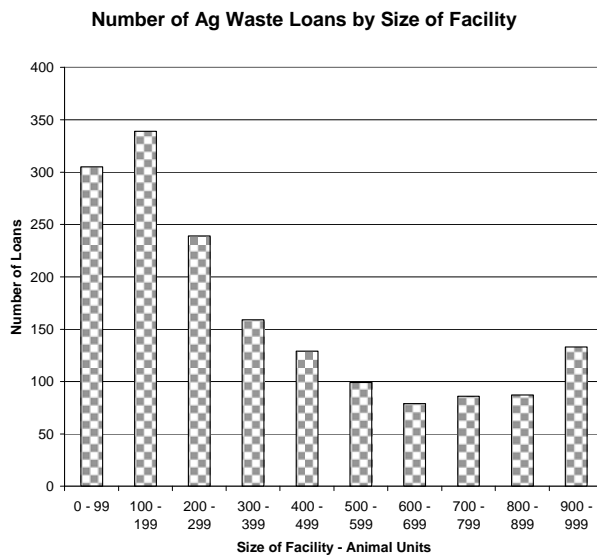


Figure 5. Number and size of farms receiving AgBMP Loans for animal agriculture management.



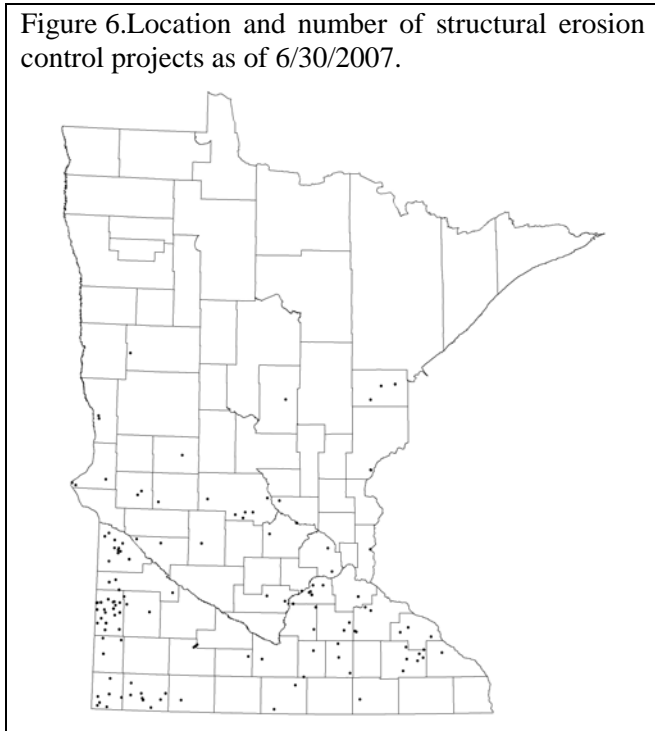
The average size of livestock operations receiving loans is 399 animal units. The size of farms using this program for animal agriculture projects is summarized in **Error! Reference source not found.** Legislation limits loans to facilities with less than 1,000 animal units. Most loans are issued to pork and dairy operations, Table 9. The average total cost of these projects has been \$51,000, though this is considered a minimum estimate because of project reporting requirements.

In 2006, counties reported that 251 feedlots were brought into full compliance last year and that they are actively working with 1,099 feedlot operators to resolve potential problems, but that 5,800 feedlots still do not fully comply with all feedlot rules.

The counties estimated about 7,800 operators had adequate manure management plans.

2. Structural Erosion Control Practices

Figure 6. Location and number of structural erosion control projects as of 6/30/2007.



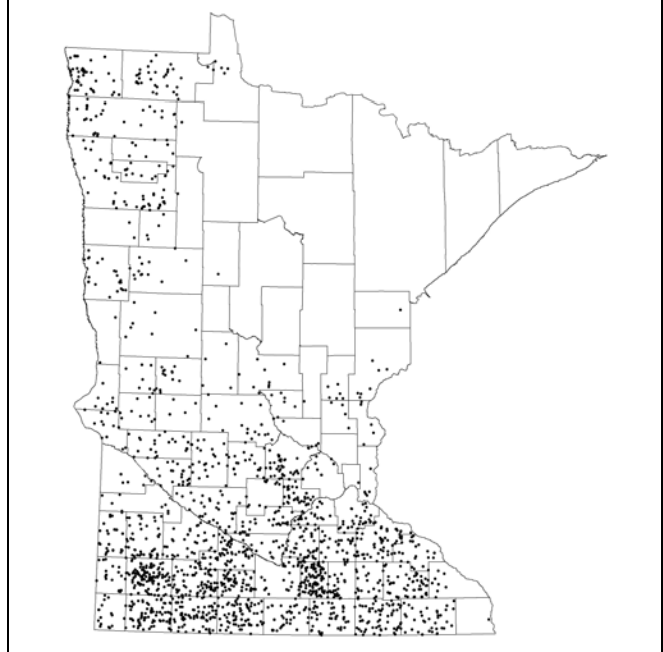
During the last fiscal year there were 8 structural erosion control practices completed. Typically, 10 projects have been completed per year over the past five years. Since 1995, the number of structural erosion control practices that have been funded is 210 (see Figure 6). The average total cost for this category of projects was \$19,500, with \$9,700 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 not implemented if cost-share funds are not a major component of the project.

Counties have estimated that there are more than 21,500 potential structural erosion control projects.

3. Conservation Tillage Practices

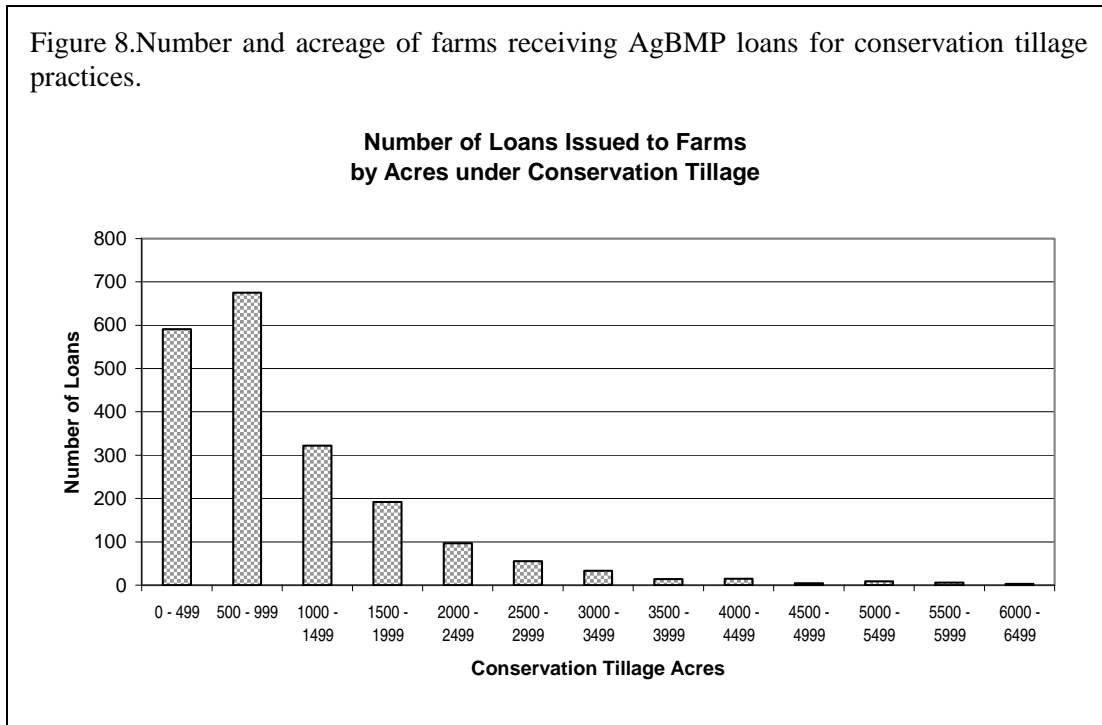
The category of conservation tillage practices has been one of the program's most frequent practices, with 2,729 practices implemented since 1995, Figure 7. During the last fiscal year there were 348 loans issued. The five year average for this type of loan is 281 per year. Farmers are provided a low interest loan as an incentive to initiate or improve their current tillage practices. The average size farm using an AgBMP loan to purchase conservation tillage equipment is 1,011 acres. The size of farms using this program for conservation tillage equipment is summarized in Figure 8. The equipment funded is generally specialized field tillage, planting, cultivation, or harvest implements that results in crop residues covering 15% to 30% of the ground when measured after planting. The average total cost for this equipment is \$32,700, though the average loan for tillage equipment is \$20,900. The equipment funded through this program is being used on approximately 2.8 million acres; however, counties reported that 7.8 million acres still need to implement conservation tillage practices.

Figure 7. Location and number of conservation tillage practices, as of 6/30/2007.



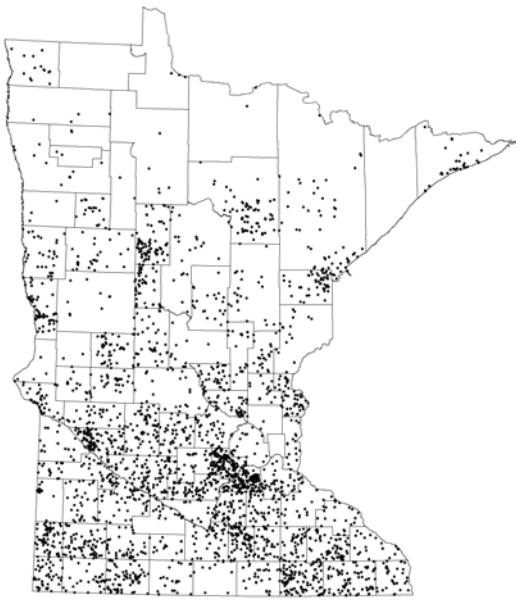
In many areas of the state, sedimentation to rivers and lakes is the highest priority water quality problem. In these areas, counties report that conservation tillage is the most cost effective means of reducing sediment, nutrient loading, and oxygen depletion in surface waters. Implementing conservation 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 these practices.

Figure 8. Number and acreage of farms receiving AgBMP loans for conservation tillage practices.



4. Subsurface Sewage Treatment Systems

Figure 9. Location of repaired SSTS systems financed with AgBMP funds, as of 6/30/2007.



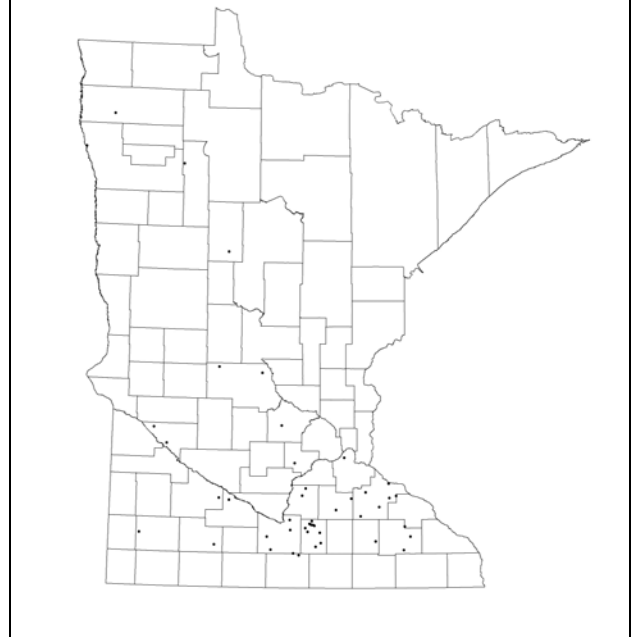
To date over 3,550 on-site sewage treatment system projects have been funded through this program, Figure 9. The average total cost of these projects has been \$7,600. The number of septic systems repaired last year through this program was 417. The five year average is 343 projects per year. Repair of farm and rural septic systems is the most numerous, single category of projects, contributing 43% of all the projects by number. Replacing failing septic systems constitutes 20% of the funds disbursed by the program. Although repairing septic systems is not a traditional agricultural best management practice, ground and surface water contamination from non-functioning septic systems has caused significant problems throughout the state. Because the AgBMP Loan Program addresses nonpoint source issues in nearly all counties of the state it already has the cooperation and coordination of local water managers and local governments throughout the state and a large, expanding lending network. The program has proven itself to be an effective mechanism to provide much needed assistance in rural Minnesota to address this troublesome issue.

Septic system loans have been the one category where some county governments have taken on the role of lender, providing a low interest loan to constituents and providing the convenience of including SSTS loan repayment as a special assessment on the landowner's tax statement. When this option is in place, the landowner typically makes a single house payment to the mortgage holder, and it is the mortgage holder, while servicing their own loan, that collects and forwards to the county the SSTS loan repayment as well property taxes. In this way, the repayment is virtually transparent to the landowner and the risk for delinquent payment or default on the SSTS loan is significantly reduced. The disadvantage is that the county government, and ultimately the local taxpayer, is at risk if the borrower defaults because AgBMP loans are subordinate to all preexisting lien holders. However, since the borrower in this system cannot choose not to pay the SSTS portion of their tax payment (as is the case when it is a stand alone conventional loan), the risk is considerably reduced. There are 16 counties currently that have executed participation agreements to act as lenders. Counties have complete discretion in deciding to act as lenders or not.

5. Other Projects

The *Other* category includes all practices that are not included in the first four practice categories. There have been 20 practices related to improved application equipment for pesticides and fertilizers, seven were associated with well sealing and relocation, two chemical containment systems, one ring dike, and one conversion of row crops to permanent ground cover. The details of remaining practices in this category was not recorded.

Figure 10. Location of Other practices financed with AgBMP funds, as of 6/30/2007.



STATUS OF LOCAL REVOLVING ACCOUNTS

A requirement of the AgBMP Loan Program prior to the 2001 legislation was the capitalization of revolving accounts held by a single designated Local Lender in each of the participating counties. Once the money had been transferred to the designated Local Lender, the county could continue to reuse the funds for additional practices as loans are repaid throughout the first ten years of the term of the loan from the MDA to the county. After year ten, the county had another ten years to complete repayment of the loan back to the state. Counties with existing original contracts continue to use this local revolving loan feature, though no new funds have been added to these original contracts since 2005. These original contracts will be fully repaid and closed in 2026. New contracts executed under the 2001 legislation establish a revolving account held by the Department for the participating county. The new contracts will remain valid for as long as counties or lenders choose to participate in the program. Since the start of the program, 3,657 projects costing \$50.0 million have been funded as 2nd generation loans out of local revolving accounts, Table 6.

In 2006, the counties anticipated using approximately \$14.8 million for 2nd generation loans from all local revolving accounts throughout the state. Their 2006 spending plan is shown in Table 10. The spending plan includes both the funds on hand as well as some anticipated payments to be received in the next year. For planning purposes, 15% of the total outstanding loan balance is used to estimate available repayments for 2nd generation loans through the revolving accounts. Counties are required to manage their revolving funds in coordination with their requests for new allocations provided by the Department. Despite this ambitious spending plan, 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 might be delayed, or anticipated projects just may not materialize. However, as shown in Table 5, actual loans issued from all revolving accounts in 2007 was \$11.7 million. In recent years, many counties frequently exhausted their local revolving accounts and delayed implementation of projects until repayments could replenish the accounts.

Table 10. Proposed use of local revolving funds for 2006.

Category	Proposed Number of Loans with Revolving Funds	Proposed Total Amount of Loans to be made with Revolving Funds
Animal Agriculture Management	160	\$5,139,762
Structural Erosion Control	60	\$423,137
Conservation Tillage	218	\$5,466,476
SSTS	748	\$3,742,852
Other	10	\$50,631
Total Proposed Usage	1,196	\$14,822,858

LGU CAPACITY FOR IMPLEMENTATION

This program uses a revolving loan system 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 estimated in a 1998 survey that they could implement an average of \$250,000 in projects per year per county or about \$22 million worth of projects statewide per year. Historically, the existing loans have generated about 15% of the outstanding balance as annual repayments. Therefore, to generate revenues to meet the estimated \$250,000 per county per year activity level, the total capitalization of the program would need to be about \$140 million. In 1998, the legislature raised the authorized spending limit of the program to this amount; however cumulative appropriations to date total \$56.2 million.

Between the effects of increased activity levels, from 600 projects per year to more than 800 projects per year, and the escalating cost of projects, counties have now averaged \$12.2 million annually for the last five years, \$15.9 million in FY 2006.

Recently there have been several significant changes that explain the increased demand for AgBMP Loans:

1. The legislature changed the AgBMP Loan Program, simplifying the loan approval process and expanding the lending network, allowing more lenders to offer more loans to a more diverse clientele.
2. The state and local agencies have taken a more aggressive approach to require compliance of feedlots to regulations and local ordinances by 2010 as required under Minn. Rules 7020.
3. Many counties are establishing SSTS inventories, inspection programs, or adopting point of sale SSTS compliance requirements. In addition, the state is modifying Minn. Rules 7080 regarding SSTS regulation.
4. Public waters are being assessed, designated as impaired when appropriate, and Total Maximum Daily Load Implementation Plans are being developed to resolve these impairments.

The Department expects the annual activity level to continue to increase as counties and new lenders become more familiar and accustomed to the administrative processes and the environmental remediation efforts under the TMDL and Clean Water Legacy programs are intensified. With these changes in circumstances, we remain unsure of the absolute maximum capacity of local governments to implement projects; however, our short term goals for the next five years include:

- Annual statewide appropriations of about \$3 million per year for eligible activities to implement local water plans and prevent or reduce water pollution
- Annual appropriations of \$2 million per year specifically for implementation of TMDL Implementation plans and Clean Water Legacy activities
- Increasing the total capitalization of the AgBMP Program to about \$85 million
- Achieve a five year average annual activity level of \$15 million per year

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

LOAN DEFAULTS

The AgBMP Loan Program requires participating lenders to provide security for all loans. Conventional lenders guarantee of repayment of all funds they receive from the program and pledge their liquid assets toward repayments. In addition, banks are required 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 requirement of a minimum 7% Net Worth / Total Assets ratio as calculated under NCUA Rules & Regulations Part 702 Prompt Corrective Action (PCA); and AgriBank is required to maintain 7% Net Worth / Total Assets ratio.

County and other organizations with taxing authority may provide a General Obligation Note for the amount of the funds obtained from the program or an assigned cash account or security equal to 20% of the balance due, up to \$25,000.

The funds issued to the borrower are guaranteed by the local lender, therefore the program does not require any security from the borrower directly, though the lender may require collateral as appropriate.

To date, only three borrower loans are known to have defaulted, two septic loans and one feedlot operation. Despite the borrower's default, the lenders have continued to make repayment to the AgBMP Program in accordance with their repayment schedules and they are not in default to the program.

There were no defaults reported during FY 2007.

OTHER FINANCIAL NEEDS INFORMATION

The AgBMP Loan Program has been collecting voluntary information about overall environmental needs of the participating counties through its application process. In the annual application, the counties are asked questions about on-site septic systems, structural erosion problems, conservation tillage acres, and other characteristics of their jurisdiction, Appendix D. Though this data was not collected using statistical sampling methods, it does represent reasonable information from local organizations, prepared by local experts familiar with local needs (typically District Managers of Soil and Water Conservation Districts or Environmental Office Directors of county government), and includes nearly all counties. We believe these estimates to be at least reasonable approximations.

The data was compiled from the many applications received by the MDA since 2004. The primary source of the data was the 2007 and 2008 AgBMP application. If a county did not apply at that time or did not respond to the question, the most recent information from prior applications was substituted. If no data was available from a county for a particular question, the county's response was excluded from the calculations for the specific question.

A. Animal Agriculture Management

The AgBMP Loan Program was responsible for preparation of the Feedlot Financial Needs Assessment Report submitted to the 2001 Legislature and revised in 2003. The complete report is available through the MDA or from its Internet website at:

<http://www.mda.state.mn.us/news/publications/animals/feed&feedlots/assessmentrevised.pdf> . It is currently under revision. Based on the preliminary evaluations, there are about 5,800 livestock enterprises that would require constructed upgrades under the rules. In addition to these constructed practices, other costs would be incurred including engineering, application and handling equipment, and preparation of manure management plans. These animal agriculture management practices are estimated to cost a total of \$527 million.

(http://www.bwsr.state.mn.us/publications/Feedlot_Financial_Needs-2008.pdf).

B. Structural Erosion Control Practices

The applying counties were asked to estimate the total number of structural practices needed within their jurisdictions. The reported values totaled 21,475 structures statewide. Because of the very objective nature of determining the need for these practices, this estimate cannot be verified. Nevertheless, using the counties' estimates, approximately \$420 million would be needed to implement the anticipated structural practices.

C. Conservation Tillage Equipment

The counties reported that about 12 million acres of farmland is currently under some form of conservation tillage, and estimated an additional 7.8 million acres should have conservation tillage practices implemented. Assuming the estimated acreage is correct, the average size farm employing conservation tillage is about 1,011 acres (the average acreage under conservation tillage reported when applying for an AgBMP loan) and the average cost of conservation tillage equipment is \$32,700; the total cost for implementing some form of conservation tillage on these targeted lands would be \$250 million. However, this assumes only one piece of conservation tillage equipment is purchased, when in fact, to fully convert to conservation tillage practices, a farmer must acquire several pieces of specialized equipment for planting, cultivating, and soil preparation.

D. On-site Sewer Systems - SSTS

There are approximately 630,000 homes with on-site septic systems in Minnesota, based on the data provided in the AgBMP annual applications. The counties reported that over 210,000 systems do not comply with the state's SSTS rules (Minn. Rules 7080), approximately a 33% non-compliance rate of

existing systems. The average cost disbursed by the AgBMP Loan Program to upgrade septic systems was \$7,600.

Based on the number of non-conforming septic systems and the overall average cost of repairing septic systems, it is estimated that the total cost to homeowners to bring all existing septic systems into compliance would be \$1.6 billion.

E. Total Cost for Rural Nonpoint Source Pollution Remediation

Based on the assumptions listed above the total cost for remediation of nonpoint source pollution problems in rural Minnesota is about \$2.80 billion, Table 11.

Table 11. Estimated total costs to remediate agricultural nonpoint source pollution.

Category	Estimated Costs
Animal Agriculture Management	\$527,000,000
Structural Erosion Control	\$420,000,000
Conservation Tillage Equipment	\$250,000,000
SSTS – Septic Systems	\$1,600,000,000
TOTAL COST Nonpoint Source Pollution	\$2,797,000,000

Appendix A. Total allocations to Counties by AgBMP Loan Program

Table 12. Summary of allocations to local government units in the AgBMP Loan Program.

Local Government Unit	Prior Allocations (\$)	Current Allocations (\$)	Total Allocations (\$)
Aitkin County	246,950	32,000	278,950
Anoka SWCD	0	0	0
Becker SWCD	475,450	185,878	661,329
Benton SWCD	355,210	1,000	356,210
Big Stone County	378,115	3,000	381,115
Blue Earth SWCD	622,119	48,000	670,119
Brown County	788,843	227,187	1,016,030
Carlton SWCD	372,473	0	372,473
Carver SWCD	1,660,153	0	1,660,153
Joint Powers Board #3	167,442	15,000	182,442
Chippewa County	492,162	0	492,162
Clay SWCD	488,698	12,000	500,698
Cook County	278,807	55,000	333,807
Cottonwood SWCD	1,329,151	209,275	1,538,426
Dakota SWCD	987,283	94,917	1,082,200
Dodge County	905,233	218,900	1,124,133
Douglas SWCD	420,332	50,000	470,332
Faribault County	953,427	187,780	1,141,207
Fillmore SWCD	1,664,257	369,066	2,033,323
Freeborn County	1,260,441	112,000	1,372,441
Goodhue County	1,691,590	65,000	1,756,590
Grant SWCD	11,500	193,000	204,500
Hennepin County	159,300	0	159,300
Houston County	352,474	114,564	467,038
Hubbard County	567,534	13,000	580,534
IMPACK-6 Joint Powers Board	1,477,993	77,000	1,554,993
Itasca County	176,910	0	176,910
Jackson County	1,529,083	47,000	1,576,083
Kandiyohi SWCD	691,699	63,000	754,699
Kittson County	842,671	39,450	882,121
Lac Qui Parle SWCD	459,719	58,000	517,719
Le Sueur SWCD	668,397	91,000	759,397
Lincoln County	1,038,073	45,000	1,083,073
Lyon SWCD	1,262,666	268,000	1,530,666
Mahnomen SWCD	186,305	2,000	188,305
Martin County	954,265	38,891	993,156
McLeod SWCD	190,729	0	190,729
Meeker SWCD	357,604	0	357,604
Morrison SWCD	524,301	69,523	593,824
Mower SWCD	1,994,554	393,000	2,387,554
Murray County	1,633,725	73,559	1,707,284
Nicollet County	483,484	185,657	669,141

Nobles County	1,698,865	82,000	1,780,865
Norman SWCD	50,000	51,000	101,000
North Central Minnesota JPB	537,550	112,000	649,550
Olmsted SWCD	877,849	0	877,849
Ottertail SWCD	257,203	55,000	312,203
Pennington County	99,764	0	99,764
Pipestone County	944,593	159,000	1,103,593
Pope County	346,477	0	346,477
Ramsey SWCD	0	0	0
Red Lake SWCD	82,680	0	82,680
Redwood SWCD	427,948	9,242	437,190
Renville County	735,212	153,000	888,212
Rice SWCD	1,045,002	145,000	1,190,002
Rock SWCD	1,661,900	37,194	1,699,094
Saint Louis County	503,900	0	503,900
Scott County	870,476	0	870,476
Sherburne County	246,260	0	246,260
Sibley County	530,190	0	530,190
Stearns SWCD	662,630	81,000	743,630
Steele County	893,063	103,192	996,255
Stevens County	292,559	36,553	329,112
Swift SWCD	471,769	17,000	488,769
Technical Service Area 1	3,189,588	1,121,503	4,311,092
Todd County	677,480	249,000	926,480
Traverse SWCD	482,096	95,719	577,815
Wabasha SWCD	1,516,348	274,750	1,791,097
Wadena County	0	0	0
Waseca County	2,266,111	282,175	2,548,286
Washington SWCD	225,694	0	225,694
Watonwan County	1,413,457	89,000	1,502,457
West Central Minnesota JPB	1,113,471	0	1,113,471
Wilkin County	395,313	142,000	537,313
Winona SWCD	662,162	372,500	1,034,662
Wright SWCD	648,730	0	648,730
Yellow Medicine County	389,912	230,000	619,912
TOTAL	\$57,317,370	\$7,555,476	\$64,872,846

Appendix B. Partial list of practices funded by the AgBMP Loan Program

ABANDON EXISTING FEEDLOTS	KNIGHT TRANSFER PUMP AND SPREADER
ABANDON MANURE PITS	KRAUSE 6331 TILLAGE MACHINE
AG CHEMICAL METERS AND SPRAY EQUIPMENT	MANURE AND SAND SETTLING BASIN
AG MANURE HANDLING EQUIPMENT	MANURE DRAG LINE, FLOW METER, HOSE REEL
AG WASTE COLLECTION SYSTEM	MANURE PIT PUMP
AG WASTE FILTER STRIP	MILKHOUSE WASTE SYSTEM
AG WASTE PUMP AND TRANSFER STATION	NUHL 6400 SPREADER AND LOADING EQUIPMENT
AG WASTE STORAGE BASINS	PURAFLOW WASTE WATER SYSTEM
AGCHEM 854 SPRAYER	REDBALL SPRAYER AND ATTACHMENTS
AGCO WHITE PLANTER 8180	ROCK GABION BASKETS
ALLOWAY STALK SHREDDER	ROCK RIP-RAP AND GABIONS
B&H HIGH RESIDUE CULTIVATOR	ROOF AND GUTTERS TO PREVENT RUNOFF
B&H RIDGE PLANTER	ROOF STRUCTURES TO COVER AG WASTE SYSTEMS
BALZER 5150 SPREADER WITH INJECTORS	ROTATION GRAZING PLAN IMPLEMENTATION
BALZER 8500 SPREADER WITH INJECTORS	S130 BOBCAT SKIDSTEER
BLU-JET STRIP TILL EQUIPMENT	SALSFORD RTS 510 RESIDULE TOOL
BOBCAT 5300 SKIDSTEER	SCRAPE APRONS, WALLS, AND STACKING SLAB
BRILLION DISC RIPPER LCS7-2	SEDIMENT CONTROL BASIN AND DIVERSIONS
BRILLION LAND COMMANDER	SEDIMENTATION STRUCTURE AND FILTER STRIPS
BRILLION SOIL SAVER	SEPARATION AND SETTLING TANKS
CALUMET V 3250 MANURE SPREADER	SHORELINE STABILIZATION AND PROTECTION
CASE 430 SKIDSTEER	SLURRYSTORE MANURE SYSTEM
CASE IH 5400 NO-TILL DRILL	SOIL WARRIOR MINIMUM TILLAGE EQUIPMENT
CASE IH 9300 RIDGE TILL EQUIPMENT	SSTS - CLUSTER SYSTEMS
CASE IH DMI 730B ECOLOTIGER DISK RIPPER	SSTS - HOLDING TANK, GRINDER, PUMP
CASE IH TIGERMATE II	SSTS - INDIVIDUAL SYSTEM
CAT TL3-930 RIPPER	SSTS - LAND FOR DRAINFIELD
CHANDLER MANURE SPREADER	SSTS - REPLACEMENT WITH SEWER CONNECTION
COMPOSTING BUILDING	STORMWATER DIVERSION
CONCORD 4010 GRAIN DRILL	SUMMERS 8T9446 CHISEL PLOW
CONCRETE FEEDLOT APRON	SUNFLOWER 1434 CONSERVATION DISC
CONCRETE FLOOR AND GUTTER	TERRACE AND TILING
CONCRETE MANURE PIT AND SLATTED FLOOR	TERRAGATOR
DAWN NO-TILL PLANTER	TURKEY LITTER SPREADING EQUIPMENT
FARGO 4060 AIR SEEDER	VANDALE MANURE TANK WITH INJECTORS
FEEDLOT RELOCATION	WATERWAYS AND GRASSWAYS
FEEDLOT SEDIMENTATION BASINS	WELL SEALING
FERTIL-GATION EQUIPMENT	WHITE 8106 NO-TILL PLANTER
FLEXCOIL 5000 PLANTER	WILRICH 5800 CHISEL PLOW
GEHL 5635 SKIDSTEER	WILRICH 6600 SOIL SAVER
GEOTEXTILE AND LINERS FOR BASINS	WILRICH 957 RIPPER
GLENCOE SOIL SAVER	WISHICK 942 NT DISC
GRADE STABILIZATION	YETTER STRIP TILLAGE EQUIPMENT
GREAT PLAINS NO-TILL DRILL	ZONE TILL EQUIPMENT
HINIKER STRIP TILL EQUIPMENT	
HOOP BARN MANURE SYSTEM	
HOULE 7300 SPREADER WITH INCORPORATION	
HYDRA MANURE SPRAY EQUIPMENT	
JD 1690 NO-TILL DRILL	
JD 2210 HIGH TRASH CULTIVATOR	
JD 693 HIGH RESIDUE CORN HEAD	
KINSE 3600 PLANTER	

Appendix C. Glossary of terms, initials, and acronyms

AgBMP: 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 resources issues, establish priorities and develop action plans to address issues.

CWA: Clean Water Act. The federal legislation protecting water resources authorizing the SRF accounts.

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

DEED: Department of Employment and Economic Development. The state department that includes the Public Facilities Authority.

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.

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.

PFA: Public Facilities Authority. The state agency responsible for accounting and management of the SRF accounts.

SRF: State Revolving Fund. The primary source of AgBMP funds from the federal government.

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

SWCD: Soil and Water Conservation District. The primary local unit of government that provides technical assistance and coordinates financial aid to farmers and landowners for projects that prevent or protect water and soil resources.

Appendix D. Example AgBMP application form survey completed by LGU

The following table shows an example LGU survey form used in the AgBMP Loan Program annual report.

Table 1. Needs Survey about your jurisdiction										Last Year's Report Amt.	Other Sources	2007 Amounts
1. Estimated total number of all types of on-site septic systems (SSTS) in your jurisdiction?										3700	PCA: 4050	
2. Estimated number of SSTS systems that are <u>failing or an imminent threat to public health</u> ?										2000	PCA: 1620	
3. Number of SSTS permits issued in the last 12 months for <u>FIXING</u> failing systems?										90	PCA: 0	
4. Number of feedlot ENTERPRISES by SIZE and SPECIES in your jurisdiction by animal units?												
	*Less than 10 AU	*10 – 49 AU Non-Sensitive Areas	10-49 AU Sensitive Areas	50-99 AU	100-299 AU	300-499 AU	500-999 AU	>1000 AU:	TOTAL			
1. Hogs	23	43	13	52	81	40	18	5	275			
2. Dairy	57	120	48	84	67	2	5	0	383			
3. Cattle	140	329	168	229	257	51	11	0	1185			
4. Poultry	97	5	4	3	4	1	2	6	122			
5. Other	98	13	11	2	0	0	0	0	124			
TOTAL	415	510	244	370	409	94	36	11	2089			
5. How many ENTERPRISES, by SIZE and SPECIES, DO NOT now comply with <u>storage or runoff control requirements</u> of the Feedlot Rules? (Do not include those that need upgraded application equipment. Last year amount is shown.)												
	Less than 10 AU	10 – 49 AU Non-Sensitive Areas	10-49 AU Sensitive Areas	50-99 AU	100-299 AU	300-499 AU	500-999 AU	>1000 AU:	TOTAL			
1. Hogs	15	27	12	8	8	4	6	0	80			
2. Dairy	10	28	12	20	24	6	2	0	102			
3. Cattle	20	85	33	122	138	28	6	0	432			
4. Poultry	0	2	0	1	1	2	2	0	8			
5. Other	210	25	12	0	0	0	0	0	247			
TOTAL	255	167	69	151	171	40	16	0	869			
6. How many feedlots in your jurisdiction were <u>actively working last year to develop, design, or implement a constructed upgrade for storage or control runoff</u> for compliance with the Feedlot Rules?										Last Year Report	2007 Amounts	
7. In the last year, <u>how many constructed feedlot upgrades were COMPLETED</u> so that the feedlot is now in <u>full compliance</u> with the storage and runoff control provisions of the Feedlot Rules?										100		
8. Of those reported in #7, how many <u>RECEIVED state or federal cost-share, loans, or public engineering last year</u> ?										30		
9. As of the end of last year, how many of all feedlots (reported in # 4 above) have manure & nutrient management plans that <u>WOULD MEET</u> accepted agricultural standards?										10		
10. As of the end of last year, how many of all feedlots (reported in # 4 above) have manure handling and application equipment that <u>SHOULD BE UPGRADED</u> ?										20		
10. As of the end of last year, how many of all feedlots (reported in # 4 above) have manure handling and application equipment that <u>SHOULD BE UPGRADED</u> ?										15		
Total Reported Farm Acres: MDA: 339594 NRCS: 250978 acres										Last Year	Other Sources	2007 Amounts
11. Number of acres of tilled farm land that used any form of reduced or conservation tillage last year?										198200	15-30% Reduced: 81257 >30% Con-till: 113144	
12. As of last year, how many acres of tilled farm land <u>should use conservation tillage but does not</u> ?										52500		
13. Number of Structural Erosion Control projects that you know of that should be done?										35		
												Not Used
												Not Used
14. List a few of your more important, specific objectives for 2008 : (for example: fixing Olson's feedlot on Crooked Creek, upgrading 3 septic on Round Lake, fixing washout on the Smith farm, implement 500 acres of additional con-till in th Long Lake basin, etc.)												