



Agricultural Best Management Practices Loan Program

Biennial Status Report

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Representing activity through June 30, 2013

Front Cover:

This aerial photograph shows a mosaic of cropland in Traverse County during the fall harvest. This image is indicative of the growing adoption of conservation tillage practices throughout Minnesota. In Traverse County over 70% of the cropland is managed with some form of conservation tillage. The goal of this practice is to maintain 30% ground coverage of vegetative residues from prior crops through the winter thereby reducing soil loss and runoff.

Cost of Preparing Report:

Estimated Labor Cost	\$3,000
<u>Printing and Incidental Costs</u>	<u>\$200</u>
Total Costs	\$3,200

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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 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 a loan and providing adequate security and repayment guarantees 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, 2013.

The program has been received \$75.5 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 and have financed 11,559 projects with total loans of \$181.5 million. The total cost for all completed projects that include AgBMP Loan Program financing is estimated to be \$286.2 million. In fiscal year (FY) 2013, 401 projects were completed totaling \$10.0 million in loans. The figure below shows a summary of the amount of loans issued since 1995.

- 2,267 Agricultural Waste Management practices have been implemented throughout the state (76 in FY 2013). 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.
- 236 Structural Erosion Control practices have been funded (1 in FY 2013) 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.
- 3,654 Conservation Tillage practices (61 in FY 2013) have been implemented, including various types of seed bed preparation, planting, cultivation, and harvest implements that leave crop residues on the soil surface.
- 5,285 Sewage Treatment Systems on farms and rural properties (247 in FY 2013) have been repaired or replaced through this program.
- 117 Other Practices (16 in FY 2013), including well sealing, chemical and petroleum storage containment structures, and chemical spray equipment have been funded through the program.

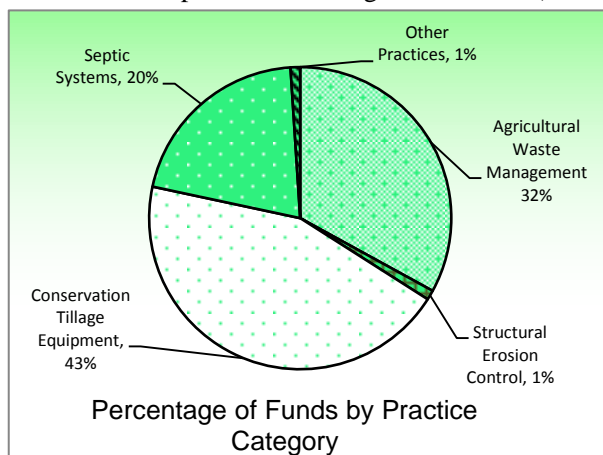


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PURPOSE

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, Wellhead and Sole Source Aquifer Protection Plans and other environmental planning documents.

The AgBMP Loan Program provides loans for projects:

- that prevent 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.

STATUTORY AUTHORITY, OPERATING PLANS, AND AGREEMENTS

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. Changes in 2005 and 2007 increased the loan limits to \$100,000, set a maximum of ten year loan terms, and addressed several procedural issues.

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. The MDA has prioritized TMDL remediation efforts by specifically assigning appropriations from the Clean Water Legacy Account and Clean Water Fund to areas with MPCA approved implementation plans. (All other funding sources are available statewide.)

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.

ALLOCATION PROCESS TO COUNTIES

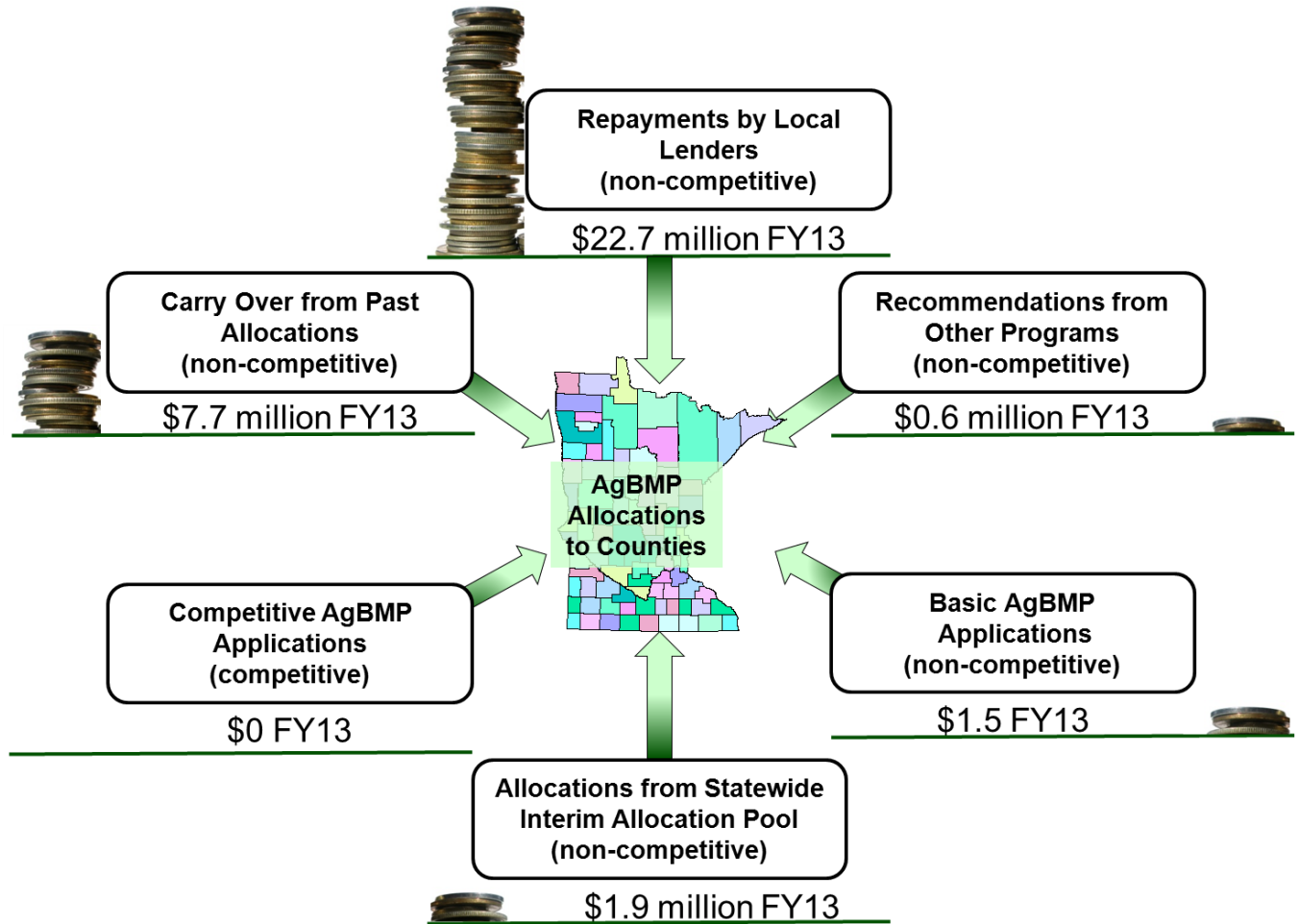
(For the purpose of this report, the term allocation refers to the award of funds by the AgBMP Loan Program to a local government unit, while the term appropriation refers to the award of funds by the state legislature or the Public Facilities Authority to the MDA. Through the remainder of this report,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

The funds awarded in the county's annual allocation can potentially come from multiple types of allocation processes (see Figure 1) including:

- Competitive Applications for recent appropriations to the AgBMP Loan Program (\$0 in FY13).
- Basic Applications for recent appropriations to the AgBMP Loan Program (\$1.5 million in FY13).
- Funding recommendations from other groups coordinating with the AgBMP Loan Program to finance eligible projects (\$0.6 million in FY13).
- Funds already committed to projects by the county but carried over from their previous year's allocation (\$7.7 million in FY13).
- Funds that have been repaid by participating lenders to the AgBMP Loan Program from previously completed projects for the respective county (\$22.7 million in FY13).
- Funds awarded from the Statewide Interim Allocation Pool (\$1.9 million in FY13).

These allocations are awarded to the county and held in a perpetually revolving account earmarked for that county for as long as they are able to use it. Although this may seem to be a complicated system, it is structured to support multiple funding sources with differing requirements while insuring the available revolving financial resources are used first before new funds are requested. From a practical standpoint, the accounting behind the allocations is transparent to the county, lender, and borrower, while AgBMP staff is responsible to monitor allocations and issue awards that will optimize the use of the available funds. It is also noted that repayments (the revolving loan structure) now provides the majority of the annual allocation made to counties.

Figure 1. Types of allocations made to counties.



A. COMPETITIVE AWARDS, BASIC AWARDS, AND CARRYOVER

The AgBMP Loan Program uses a single combined annual application and reporting process to award funds to counties. Each participating county applies for an *annual allocation* that is available to them for one calendar year. Through this application process a county may request new funds either competitively or non-competitively to increase the corpus of the county’s revolving account.

The application also includes an *annual report* of how previously awarded funds were used during the past year and how they intend to use the revolving funds during the next year. The county reports any funds committed to projects that have not yet been completed so that they may be carried over into the next calendar year. Counties may retain all funds for as long as they use or commit the funds; however, funds that are reported unused are rescinded and made available to all counties. Funds carried over do not change the corpus of the county’s account while rescissions will reduce their revolving account balance.

Through this process of annual allocations and rescissions, the revolving corpus of each county grows or shrinks to meet their annual average activity level. The intended use of funds as reported in this annual

document is for planning purposes and may be changed by the county as projects are specifically identified for implementation.

Now, after 15 years of operation, this application process for new funds is less significant to the program than it once was because the majority of all funds are from the loan repayment revenue.

B. INTERIM ALLOCATIONS FROM STATEWIDE POOL

High performing counties may also request at other times of the year an *interim allocation* of additional funds under certain conditions. These additional funds may be awarded when:

1. 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;
2. a proposed project is ready to proceed and costs will be incurred within three months; and
3. the AgBMP Loan Program has unallocated funds available in the statewide interim allocation pool.

The Commissioner of Agriculture 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. In 2013 the balance in the statewide pool exceeded the two percent level; however, this was due to economic conditions rather than a set-aside by the Commissioner.

When a county receives funds as an interim allocation, it increases the corpus of the county's revolving account.

C. RECOMMENDATIONS FROM OTHER PROGRAMS

The AgBMP Loan Program coordinates with the Board of Water and Soil Resources (BWSR), Department of Natural Resources (DNR), Department of Health (MDH), and Pollution Control Agency (MPCA) to review and coordinate financing for cost-share grants offered through the Clean Water, Land, and Legacy Amendment. Any AgBMP-eligible project that is awarded a cost-share grant from these coordinating agencies will also receive any requested AgBMP loan financing that is associated with the successful grant recipients. These coordination awards will be included as a component of the county's annual allocation without further program application or competition and will increase the corpus of the county's revolving account.

D. REPAYMENT FROM LOCAL LENDERS

Any repayments received from participating local lenders are reallocated to the same county and are included in their annual allocation. Repayments are available to the county upon request as soon as they are received. Funds not requested early are automatically added to next year's annual allocation. Repayments from prior loans are the primary source of revenue to participating LGUs.

Repayments do not increase the corpus of the county's revolving account.

ANNUAL APPLICATION AND REPORTING PROCESS

Beginning in the fall of each year, the AgBMP Loan Program announces the application period for the program, affording the counties several months to prepare and submit applications. The AgBMP Loan Program holds several (usually five) workshops each year to assist counties and local lenders in completing their annual application and report. The application form 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 annual application and reports are initially evaluated by AgBMP staff and each county's tentative allocation is calculated based on requirements of the AgBMP statutes, existing contracts, and past guidance of the Statutory Review Committee. The Review Committee is established and its membership defined 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; MPCA; Board of

Water and Soil Resources (BWSR); Association of Minnesota Soil and Water Conservation Districts; Association of Minnesota Counties; USDA Natural Resource Conservation Service (NRCS); and USDA Farm Services Agency. Their evaluation of competitive applications is based on nine statutory requirements and other criteria established by the committee, including past performance. The review 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 of projects to be funded from other agencies and other funding sources such as the Clean Water Fund (one portion of the Clean Water, Land, and Legacy Amendment), and the federal Environmental Quality Incentive Program. Many members of the AgBMP Loan Program review committee also participate in a multiple agency work group to evaluate other Clean Water Fund grant requests, thus providing even greater coordination of AgBMP Loan Program funding with other state agencies and their successful applicants.

This committee reviews all competitive applications submitted by counties and other recommendations prepared by AgBMP staff. They evaluate requests for new funds, carry over from past awards, and reallocation of revolving payments and submit their recommendations to the Commissioner of Agriculture for the annual 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.

Multiple processes are in place for requesting additional funds to increase the corpus of the county's account; however, when the amount of new appropriations to the AgBMP Loan Program are small, it has been found that some of these processes are not practical to implement when all 65 participating counties apply for the limited funds.

- **Competitive applications requesting up to \$300,000.** These competitive 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. Each application is individually ranked and scored by the review committee. Since 2004 competitive applications have been discouraged because of limited new funding to the program (about \$1 million per year). Instead, the interim allocation process using the statewide allocation pool has been the most effective means to insure the use of newly appropriated funds. During this reporting period there were no competitive applications submitted.
- **Basic applications requesting less than \$100,000.** These non-competitive applications propose a number of general practices that address local water quality problems and local water priorities but the applications do not provide the level of detail required for the competitive applications. Because basic applications from the various counties request a relatively small amount of funds for similar practices with similar results, all basic applications are ranked the same in the review process. When basic allocations are awarded, all applicants receive the same amount, based on the number of counties in the organization. These awards have varied up to \$100,000 per county, depending on annual program appropriations.
- **Interim Allocation Process.** Based on the experiences from 1995 to 2001, the Statutory Review Committee realized that when the repayments from prior loans is substantial and the amount of new appropriations to the program is small, it is not efficient to distribute the funds through the competitive and basic applications (where only a few counties might get most of the funds and the majority of the counties would get only a small award). Instead, they established a policy to use the interim allocation process authorized under the 2001 legislation. The interim allocation process only funds locally identified pending projects that are ready to proceed within the next three months and cannot be funded from the repayment revenue. Because interim allocations are awarded based on existing projects that are ready to proceed on a first come basis, these awards are seldom idle and are almost always fully expended. Counties have accepted this process as a fair means to distribute funds. For the most part, counties monitor their repayment revenues and schedule projects accordingly; however, when unanticipated projects develop, the interim allocation process provides a flexible procedure to provide additional financial resources.

A waiting list of unfunded, pending projects is maintained when the interim allocation pool is exhausted. These pending projects are funded first as monies become available. To date, no projects have been rejected due to lack of funding; however they may have had to wait for up to three months before adequate funds have become available.

This flexible three-tier application and allocation 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.

In 2013 the paper application form was converted to an Excel based spreadsheet that simplified data entry, performed calculations required for the report, and error checked the report. This new application process required only basic program information, calculations of annual repayment revenue, documentation of committed projects, and an assessment of anticipated unmet needs. Though some difficulty was encountered from varying local security requirements, the digital document was well received by local government, easy to use, and generated sufficient information to allow the program to distribute funds to LGUs, and greatly streamlined the reporting and application process. Additional improvements to the process are being considered.

CASH FLOW PROCESS

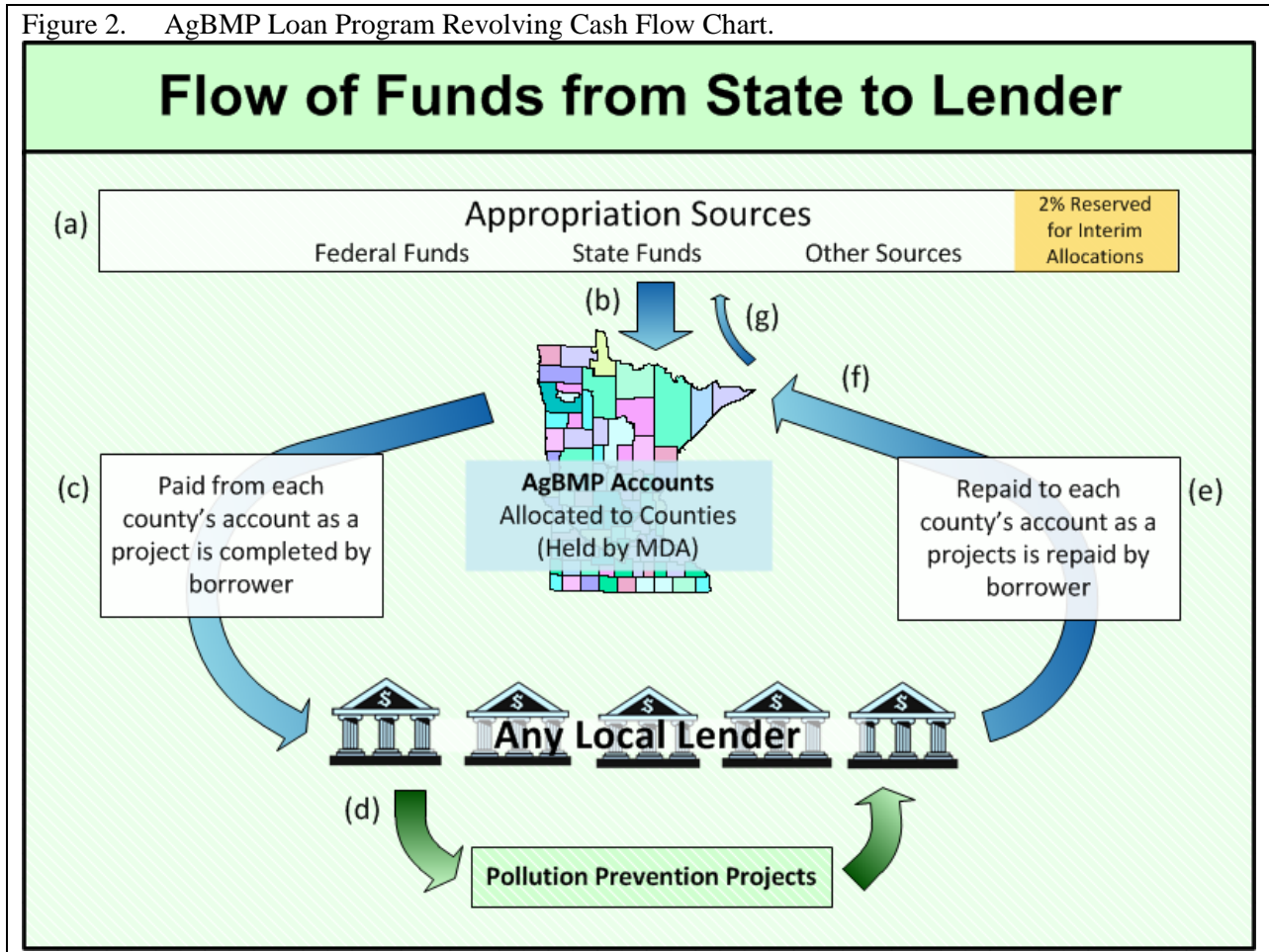
Figure 2 shows a flow chart of the funds through the AgBMP Loan Program. The process to finance a project follows these steps (letters correspond to items on Figure 2):

- a. The MDA account may receive appropriations from state, federal, other sources, or from rescissions of past allocations (g).
- b. Through the annual application process or interim allocations, these funds are allocated 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 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. 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 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. 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.

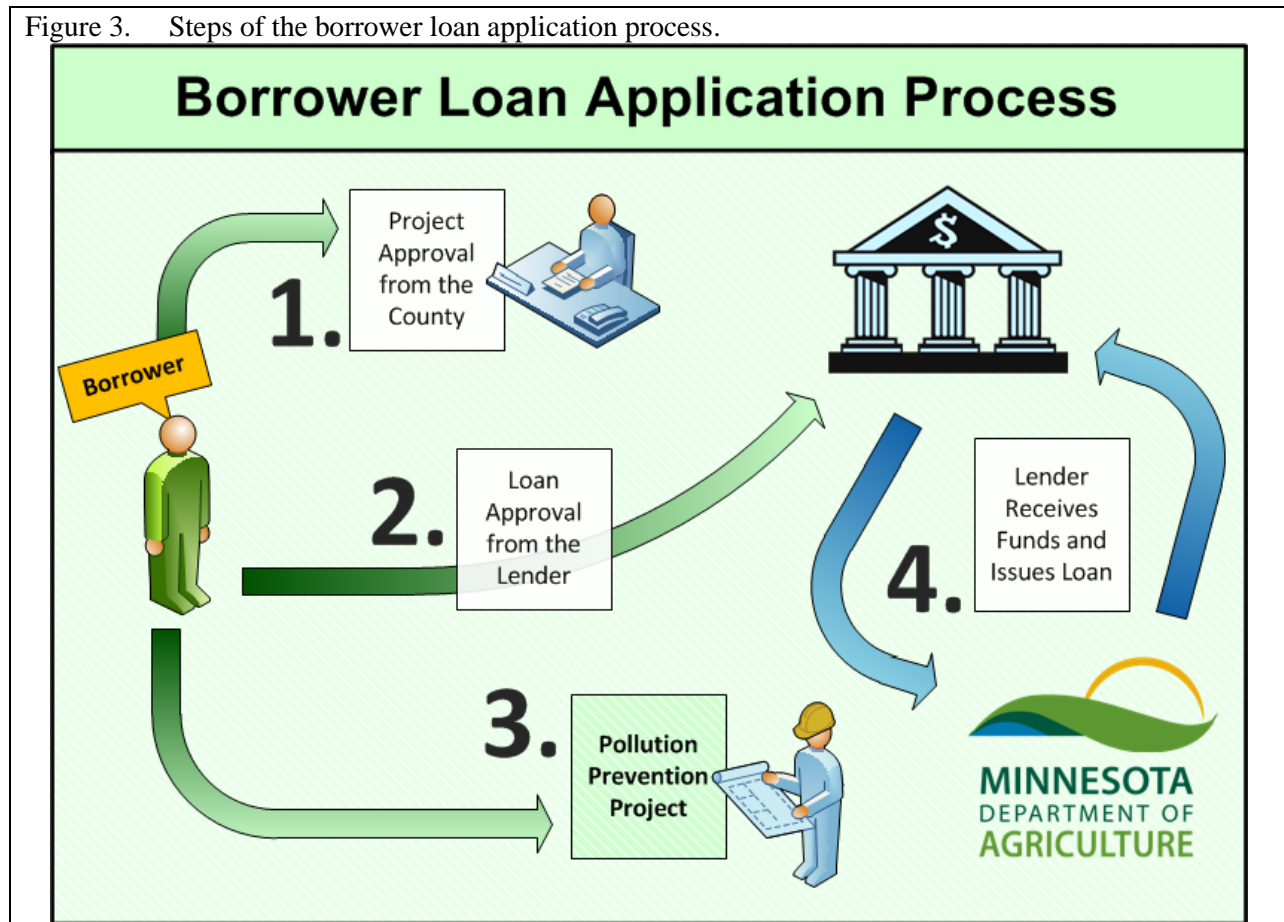
Figure 2. AgBMP Loan Program Revolving Cash Flow Chart.



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 2 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.

PROJECT APPROVAL PROCESS

Figure 3. Steps of the borrower loan application process.



To the borrower, the approval process for an AgBMP Loan is relatively simple.

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.

TARGETING AND PRIORITIZATION

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 targets all Clean Water, Land, and Legacy Amendment funds to implement MPCA approved TMDL Implementation Plans. This is not a statutory requirement of the appropriation, but an internal procedure of the MDA to distribute funds to priority areas. All other funds in the program are available anywhere in the state.

All projects funded by the AgBMP Loan Program must implement a component of at least one of these plans or implement some other recognized local environmental plan, such as a sole source or wellhead protection plan.

Each participating county establishes its own internal procedures to target, select, and implement the specific practices that carry out agricultural and rural components of the CLWP. Eligibility is not restricted to farmers alone or by borrower income, net worth, or income ratios. 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, for example, any feedlot upgrade in the county.
- Implement any eligible practices within targeted, priority water resource areas, for example, conservation tillage practices within ½ mile of sediment impaired waters.

Farmers and landowners proposing projects in lesser-priority areas will also be considered for loans if funds are available. Since 2004 with the revolving payments becoming a significant revenue stream, the continued appropriations from the State Revolving Fund, and the availability of the Clean Water Fund, to our knowledge every eligible project that has been proposed has been funded if the landowner can meet credit criteria established by their lender.

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 implement 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.

REQUESTED FUNDING AND SCOPE OF WORK

A. PAST REQUESTS FOR FUNDING FROM COUNTIES

In most years, funding requests from counties have exceeded available funds. To reduce this disparity, the AgBMP Loan Program has implemented the following steps to insure that counties utilize their available resources first and that any amount requested is reasonable:

- All revolving funds must be incorporated into the proposed work plan.
- Applications for new annual allocations are limited to unmet needs of their proposed work plan.
- Funds previously allocated and committed to approved projects may be carried over into the next allocation year. Uncommitted funds are rescinded.
- Applications for new funds are limited to either \$100,000 or \$300,000.
- The AgBMP Loan Program will consider interim allocations when needed.
- The 2013 application period was the first year that the LGUs did not request all funds that were available, leaving about \$1 million that was placed in the statewide interim allocation pool for later requests. This suggests that for the current 2013 economic conditions, the capacity of the fund as a whole generally meets the demands by LGUs, though some individual LGUs may exhaust their individual resources. However, as economic conditions change, the demands on the program will increase and the corpus of the fund will need to gradually grow in anticipation to these expected gains.
- Most counties submit applications that emphasize agricultural impacts. Implementing conservation tillage practices composed 30% of the annual application requests; upgrading agricultural waste management practices contributed 36% of the requests. Septic system upgrades 26% accounted for of the requests.

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 \$21.7 million from the State Legislature; \$75.5 million in total. These revolving funds have resulted in \$181.5 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 the spending authority.

Table 1 shows the amount appropriated to the AgBMP Loan Program from all sources.

Table 1. Appropriation to the AgBMP Loan Program

Date of Transfer to AgBMP	Appropriation Citation	Amount Appropriated
09/01/1995	Public Facilities Authority	\$10,000,000.00
07/01/1996	Public Facilities Authority	\$10,000,000.00
06/03/1997	1997 Session Law Chap. 246 Sec. 6	
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
06/02/2006	2006 Session Law Chap. 282 Art. 10 Sec 4(a)	
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
05/05/2007	2007 Session Law Chap. 45 Art. 1 Subd 3	\$300,000.00
04/25/2008	Public Facilities Authority	\$1,200,000.00
01/23/2009	2007 Session Law Chap. 45 Art. 1 Subd 3	
04/01/2009	Public Facilities Authority	\$1,500,000.00
05/22/2009	2009 Session Law Chap. 172 Art. 2 Sec 2(e)	
06/09/2009	Overpayment by Lender	\$0.17
10/01/2009	2009 Session Law Chap. 172 Art. 2 Sec 2(e)	\$1,800,000.00
03/01/2010	2009 Session Law Chap. 172 Art. 2 Sec 2(e)	\$200,000.00
03/01/2010	Public Facilities Authority	\$1,000,000.00
11/19/2010	2009 Session Law Chap. 172 Art. 2 Sec 2(e)	\$2,200,000.00
04/14/2011	Public Facilities Authority	\$1,000,000.00
06/23/2011	2009 Session Law Chap. 172 Art. 2 Sec 2(e)	\$252,489.90
07/20/2011	2011 1st Special Session Law Chap. 6 Art. 2 Sec 3(c)	
02/06/2012	2011 1st Special Session Law Chap. 6 Art. 2 Sec 3(c)	\$4,000,000.00
04/23/2012	Public Facilities Authority	\$909,195.00
08/13/2012	2011 1st Special Session Law Chap. 6 Art. 2 Sec 3(c)	\$4,000,000.00
05/02/2013	2011 1st Special Session Law Chap. 6 Art. 2 Sec 3(c)	\$900,000.00
06/26/2013	2011 1st Special Session Law Chap. 6 Art. 2 Sec 3(c)	\$52,326.10
	TOTAL	\$75,514,011.17

C. BORROWER AND COST-SHARE COORDINATION

The AgBMP Loan Program can finance the total project cost up to \$100,000 including expenses such as fees, permits, engineering, construction, implements, materials, supplies, land, landscaping, and site restoration. Borrowers are also limited to owing the program no more than \$100,000 at any time, though they might have multiple loans outstanding. Table 2 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 59% of the total cost of projects, while the borrowers generally establish significant equity (41%) at the project's outset from personal resources, cost-share programs, equipment trades, or other financial resources.

Table 2. 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
Agricultural Waste Management	\$83,300	\$38,000	46%
Structural Erosion Control	\$40,400	\$15,900	39%
Conservation Tillage Equipment	\$60,600	\$35,900	59%
Septic Systems ¹	\$10,400	\$9,800	94%
Other Practices	\$25,400	\$20,700	81%
Overall Average	\$37,200	\$21,900	59%

¹ Capitalization of local accounts under MN § 115.57 was excluded from the average loan amount calculation.

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 general cost-share and Clean Water Funds for conservation on agricultural lands and associated water quality improvement are 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. 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 Clean Water Fund cost-share grants to feedlot operators are also 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 2), though many lenders require some borrower equity. The program is limited to feedlot facilities with less than 1,000 animal units if state funds are used, or facilities that do not possess a National Pollution Discharge Elimination System (NPDES) permit if SRF funds are used. 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.

CLEAN WATER FUND ACTIVITY

A. OVERVIEW

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 Legacy Amendment increases the state sales tax by three-eighths of one percent beginning on July 1, 2009 and continuing until 2034. The additional sales tax revenue is distributed into four funds as follows: clean water fund; outdoor heritage fund; arts and cultural heritage fund; and the parks and trails fund.

A third of the sales tax revenue from the Legacy amendment is allocated to the Clean Water Fund (CWF). These funds may only be spent to protect, enhance, and restore water quality in lakes, rivers, and streams and to protect groundwater from degradation.

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

The AgBMP Loan program has received \$ 13.9 million from the CWF of which 99.4% were allocated to LGUs during fiscal years 2012 and 2013 to implement best management practices recommended in local environmental plans. The balance was used for MDA administrative expenses.

These funds are allocated to LGUs based on use of previous allocations, annual budget review, and proximity to Total Maximum Daily Load (TMDL) implementation areas (see Allocation Process to Counties, page 2).

Table 3. List of Clean Water Fund Appropriations.

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



C. PRIORITIZATION

CWF dollars are currently one of five funding sources managed by the AgBMP Loan Program that contribute to an LGU's total available funds. Figure 4 shows all funds allocated to a LGU and the amount of CWFs received. All loans supported by the CWF have been prioritized to implement the recommended best practices identified in a MPCA approved TMDL Implementation Plan (Figure 5). This is a policy established by the AgBMP Loan Program and is not a requirement of State statute or regulations. This distribution strategy ensures that CWF dollars are used in priority areas without limiting loan capacity elsewhere in the state. To date, the program has been able to fund all eligible requests that it has received.

D. LOAN ACTIVITY

The AgBMP Loan Program provides loan funds for locally approved practices with demonstrated environmental benefits. The loans are issued through local participating lenders and repayments are re-awarded to LGUs to implement additional best management practices. Through 6/30/2013, the program has financed 345 loans (Figure 6) providing \$7.1 million dollars in financing (Table 4).

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 included in the AgBMP Loan amount 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. The program has leveraged \$6.5 million in additional funds (Table 4).

Table 4. CWF loans by category as of 6/30/2013.

Category	Number	Loan Amount	Amount Leveraged
Ag Waste Management	68	\$3,355,723.37	\$5,528,870.95
Conservation Tillage	18	\$752,085.53	\$863,282.47
Septic Systems	260	\$3,020,815.43	\$149,834.45
Total	346	\$7,116,249.33	\$6,537,862.87

E. GOALS AND OUTCOMES

Minnesota state agencies are working to establish and report outcome-based performance measures that monitor progress and impact of the Clean Water Fund activities. An inter-agency group completed a report in February 2012, Clean Water Fund Performance Report. The process is ongoing and will continue to monitor and track how Clean Water funds are spent and the impacts and outcomes of those investments.

Figure 1. Location of CWF Allocations.

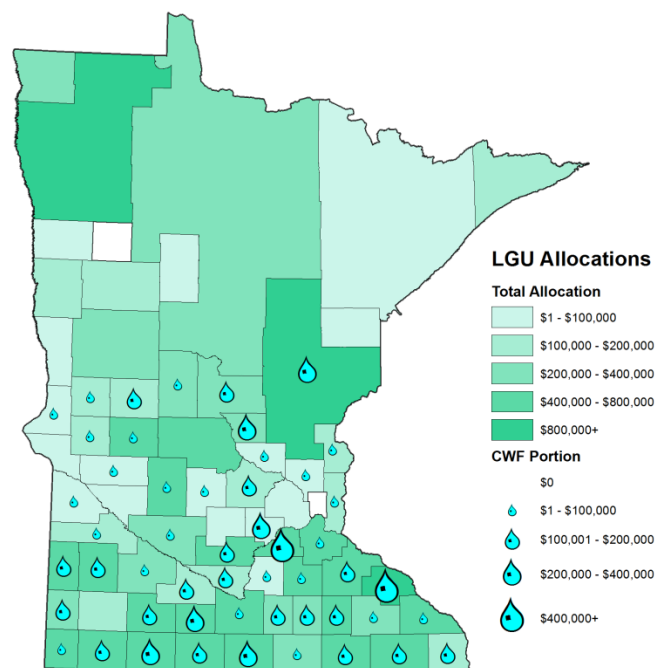


Figure 5. AgBMP CWF projects by watershed.

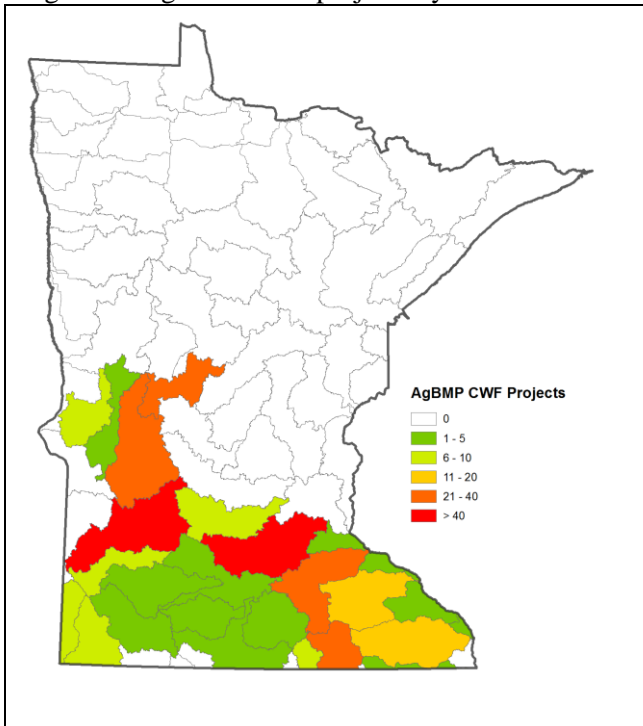
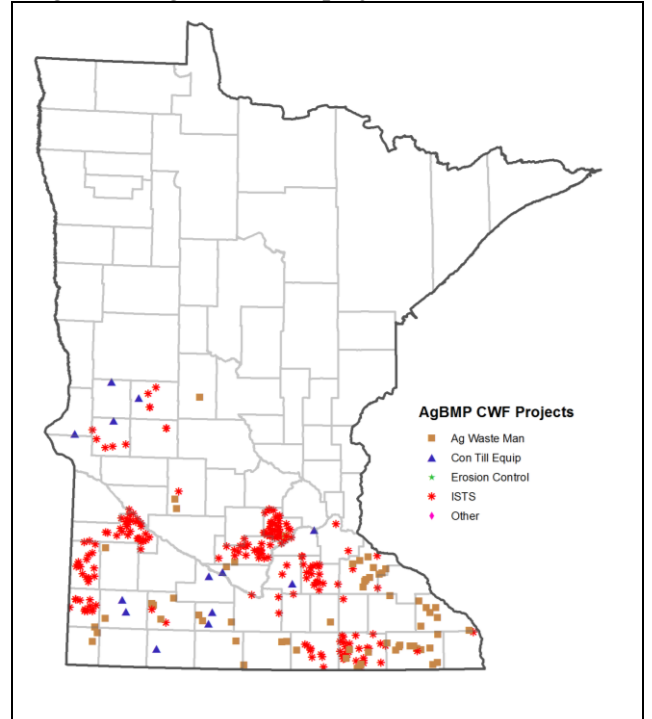


Figure 6. AgBMP CWF project locations.

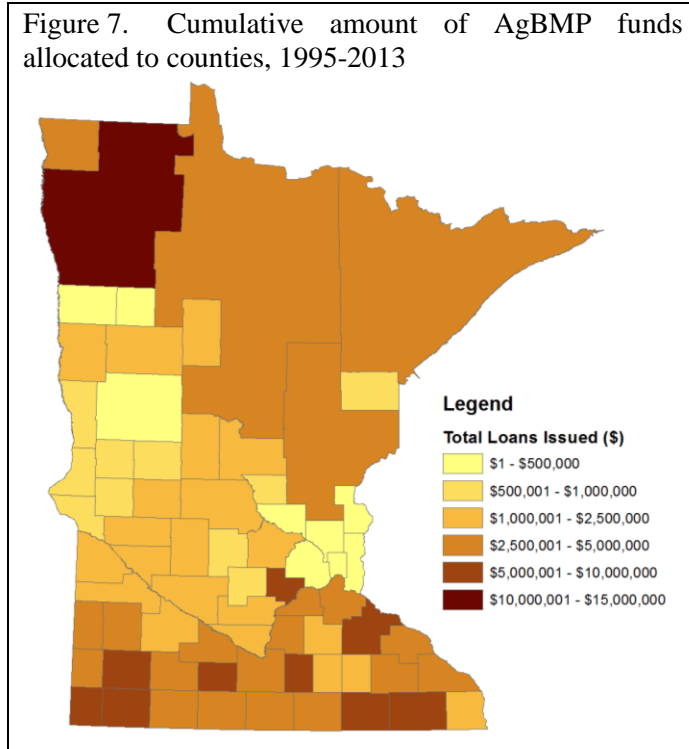


CURRENT STATUS

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 6/30/2013. This includes federal SRF funding and other state funds.

A. ALL YEARS COMBINED

Figure 7. Cumulative amount of AgBMP funds allocated to counties, 1995-2013



Through June 30, 2013, 11,559 practices totaling \$181.5 million in loans have been completed through this program. Because of the revolving nature of the program, total disbursements exceed the total appropriations of \$75.5 million. The program currently issues an average of \$400,000 in loans each month.

Figure 7 shows the total available funds to LGUs throughout the state. (Appendix A is a list of the amounts by LGU.) During the last five years the average number of projects completed per year was 531 with an average annual total loan amount issued at \$11.7 million. There were 401 loans valued at \$10.0 million completed during the last fiscal year. Table 5 shows the total number and amount of loans issued by fiscal year for the life of the program.

Figure 8 shows the total amount of loans issued for the life of the program. The top four counties are Northwestern Minnesota Joint Powers Board (\$11.2 million), Waseca (\$7.4 million), Murray (\$6.3 million) and Goodhue (\$6.2 million).

Figure 8. Total Amount of All Loans Issued 1995-2013

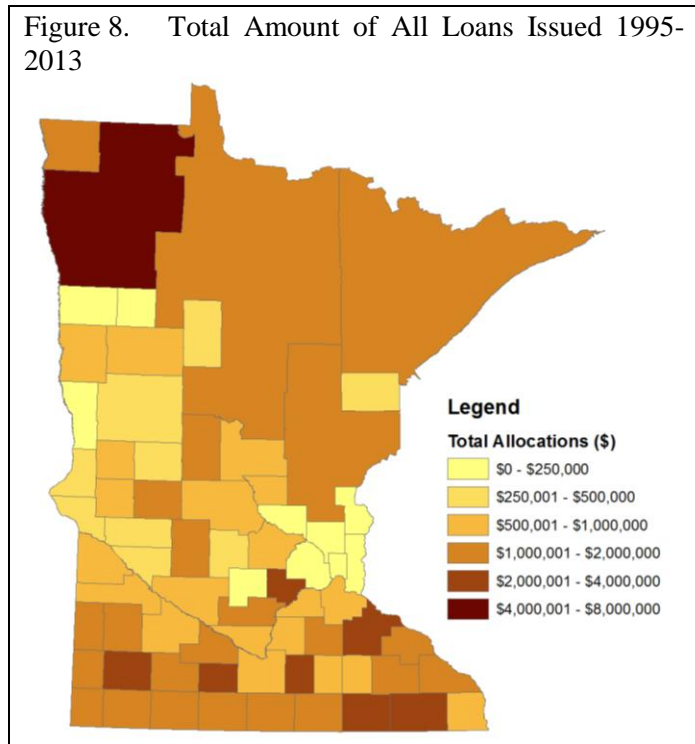


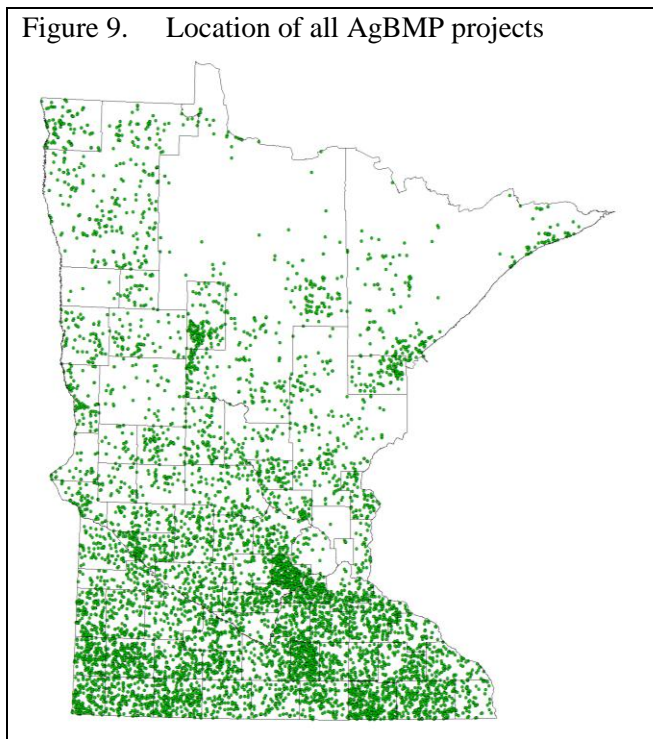
Table 5. Summary of the number and amount of loans issued by fiscal year for the last ten years ending 6/30/2013

Fiscal Year	Number of Loans	Total Loan Amount
2003	927	\$11,886,205
2004	649	\$8,606,450
2005	784	\$12,716,696
2006	642	\$11,775,141
2007	949	\$15,902,775
2008	718	\$13,473,279
2009	684	\$13,712,825
2010	580	\$12,508,168
2011	491	\$11,203,698
2012	494	\$11,008,072
2013	401	\$9,877,542

The impact of the overall economy in recent years is also reflected in program activity. There has been a decline in the number and amount of loans issued in 2010 and 2011 when compared to preceding years (see Table 5). 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.
- Increased production costs or reduced revenues in some sectors of the agriculture economy.
- Decreased volume of home sales which trigger septic system repairs.

Figure 9. Location of all AgBMP projects



Over 11,550 projects have been completed and are located in nearly all counties in Minnesota, (see Figure 9). There were 401 projects completed during 2013. 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 6 summarizes farm and non-farm participation in the program by these categories as reported by the county.

Table 7 shows the percentage of all loans by category, based on number and total amount of loans issued.

Table 6. Summary of farm/non-farm participants in the AgBMP Loan Program

Category	Farm	Non-Farm	Not Identified
Agricultural Waste Management	2,265	2	0
Structural Erosion Control	202	25	9
Cons. Tillage Equipment	1,971	2,094	1220
Septic Systems	1,971	2,094	1220
Other Practices	83	17	17
Total	6,492	4,232	2,466

Table 7. Percentage of loans issued by number and total dollar amount

Category	Percent of Loans Issued	
	% by Number of Loans	% by Dollar Amount of Loans
Agricultural Waste Management	20%	32%
Structural Erosion Control	2%	1%
Cons. Tillage Equipment	32%	43%
Septic Systems	46%	20%
Other Practices	<1%	1%

ESTIMATED ENVIRONMENTAL BENEFITS

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.

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.

Table 8. Estimated nutrients managed following installation of AgBMP funded feedlot and manure handling equipment improvements

Fiscal Years 2012 - 2013				Cumulative Total 1995 to 6/30/2013			
Number of Projects	Animal Units Managed	Total P Managed (tons/yr.)	Total N Managed (tons/yr.)	Number of Projects	Animal Units Managed	Total P Managed (tons/yr.)	Total N Managed (tons/yr.)
152	43,600	1,700	3,500	2,067	863,600	36,100	68,600

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

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

Table 9. Estimated sediment load reductions following implementation of conservation tillage practices funded by the AgBMP Loan Program

Fiscal Years 2012 - 2013			Cumulative Total 1995 to 6/30/2013		
Number of Projects	Acres Of Tillage	Sediment Loss Reduction (tons/yr.)	Number of Projects	Acres of Tillage	Sediment Loss Reduction (tons/yr.)
141	64,300	247,000	3,670	2,245,000	8,621,000

Source: NRCS, 1997 Natural Resources Inventory

http://www.mn.nrcs.usda.gov/technical/nri/findings/erosion_rates.htm

Table 10. Estimated phosphorus and TSS load reductions following installation of AgBMP funded septic systems

Fiscal Years 2012 - 2013			Cumulative Total 1995 to 6/30/2013		
Number of Projects	P Load Reduction (tons/yr.)	TSS Load Reduction (tons/yr.)	Number of Projects	P Load Reduction (tons/yr.)	TSS Load Reduction (tons/yr.)
542	2	22	5,320	20	210

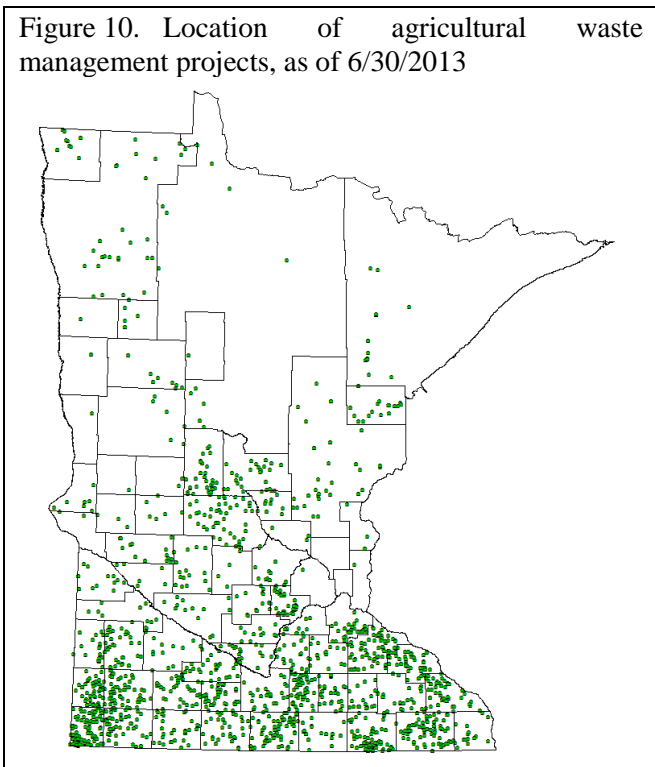
Source: BWSR, Septic System Improvement Estimator

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

COMPLETED PROJECTS BY CATEGORY

1. Agricultural Waste Management Systems

Figure 10. Location of agricultural waste management projects, as of 6/30/2013



During the last fiscal year there were 76 agricultural waste management loans completed. The five year average is 98 per year. Since 1995, there have been 2,267 agricultural waste loans issued to complete approximately 2,960 animal waste management project components throughout the state, (see Figure 10). These loans implemented one or more practices including the replacement or upgrading of manure holding basins, pits, or tanks (700); manure handling, spreading, or incorporation equipment (1,680); and other manure management practices such as feedlot improvements, clean water diversions, berms and chutes, and rotational grazing (580).

Table 11. Percentage of loans issued to various types of animal production operations

Type of Operation	Percentage
Pork	24%
Dairy	26%
Cattle	25%
Other or Not Reported	24%

The average size of livestock operations receiving loans is 386 animal units. The size of farms using this program for agricultural waste projects is summarized in Figure 11. Legislation limits loans to facilities with less than 1,000 animal units. Loans have been issued to all types of livestock operations fairly evenly (see Table 11). The average reported total cost of these projects has been \$83,300.

Figure 11. Number and size of farms receiving AgBMP loans for agricultural waste management.

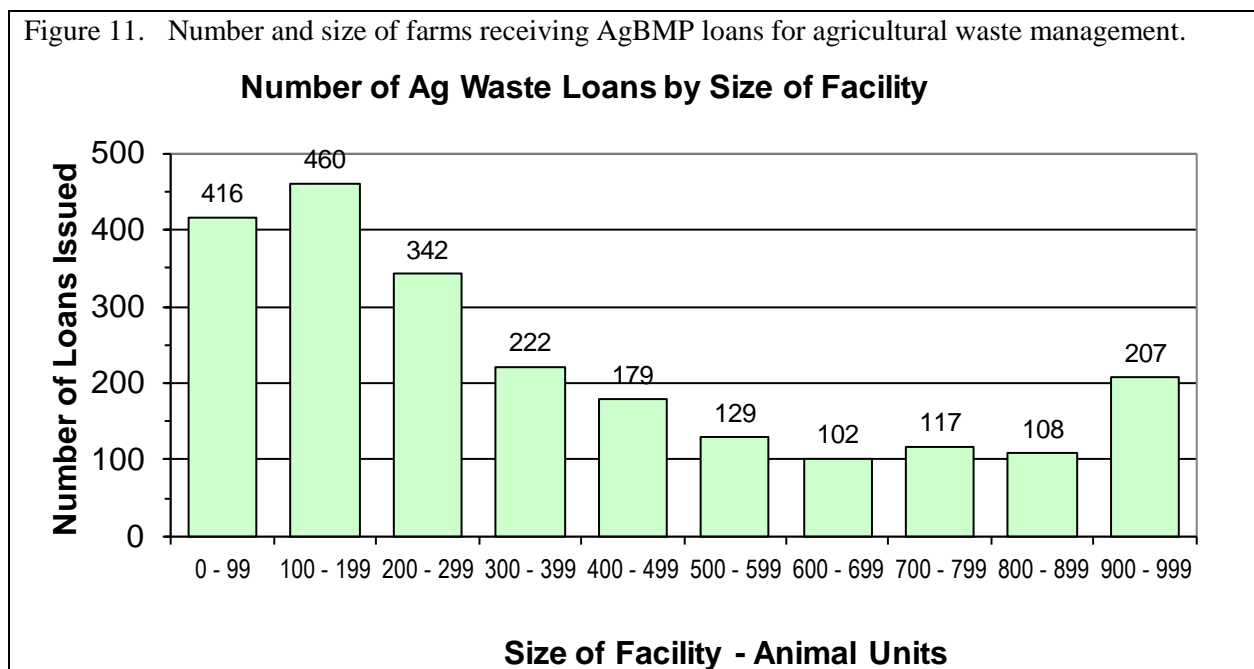


Figure 2. Typical manure storage pit under construction in Stearns County



Figure 3. Umbilical manure application equipment used in Carver County



2. Figure 5. Typical concrete slatted floor manure storage basin

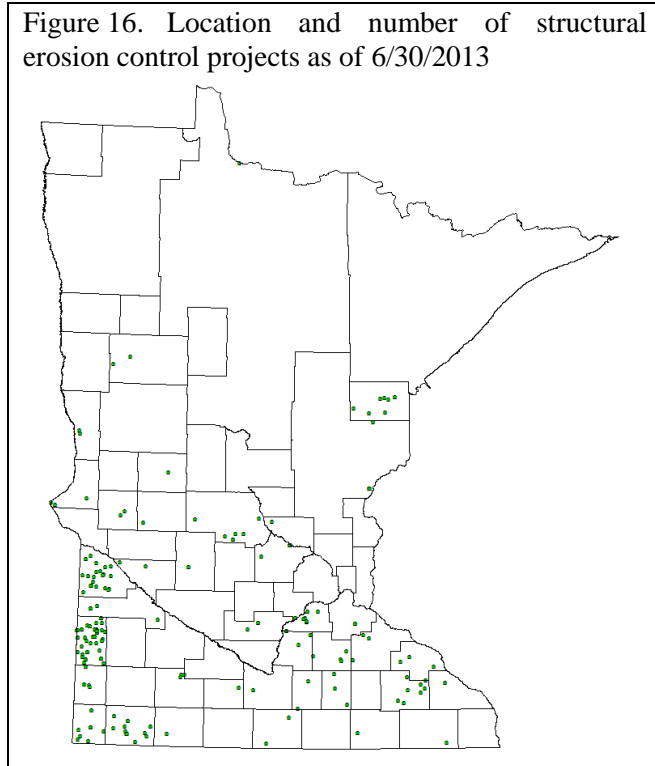


Figure 4. Typical scrape and haul manure management with skidsteer loader



Structural Erosion Control Practices

Figure 16. Location and number of structural erosion control projects as of 6/30/2013



During the last fiscal year there were 1 structural erosion control practices completed. Typically, 3 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 236 (see Figure 16). The average total cost for this category of projects was \$40,400, with \$15,900 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 6. Erosion zone near farm site

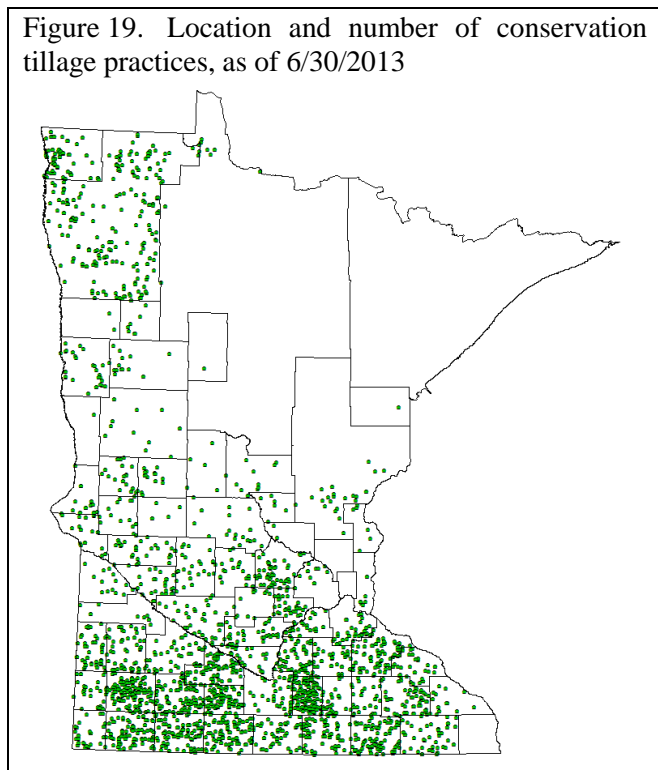


Figure 7. Sediment and water control basin in Lincoln County



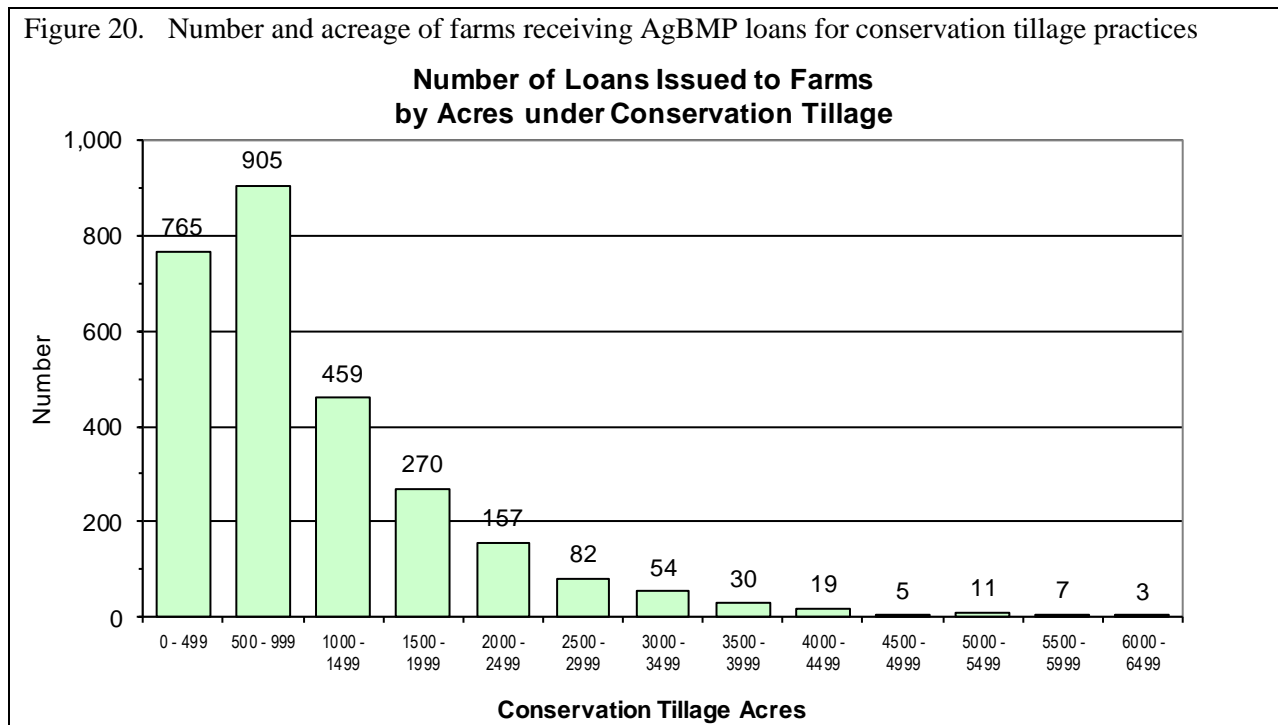
3. Conservation Tillage Practices

Figure 19. Location and number of conservation tillage practices, as of 6/30/2013



The category of conservation tillage practices has been one of the program’s most frequently used with 3,654 practices implemented since 1995, (see Figure 19). During the last fiscal year there were 61 loans issued. The five year average for this type of loan is 134 per year. The average size farm using an AgBMP loan to purchase conservation tillage equipment is 1,051 acres. The size of farms using this program for conservation tillage equipment is summarized in Figure 20. 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 \$35,900, while the average total cost for this equipment is \$60,600. The equipment funded through this program is being used on approximately 2.2 million acres.

Figure 20. 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 8. Typical strip tillage equipment



Figure 9. Typical conservation disc



Figure 10. Typical appearance of field with conservation tillage practices

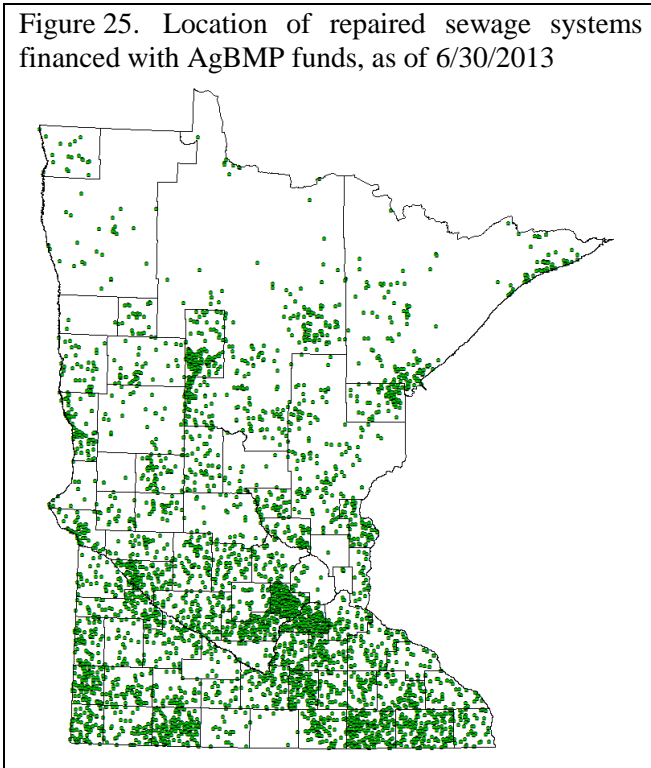


Figure 11. Adjacent fields with and without conservation tillage practices showing prevention of wind erosion



4. Septic Systems

Figure 25. Location of repaired sewage systems financed with AgBMP funds, as of 6/30/2013



To date over 5,285 on-site sewage treatment system projects have been funded through this program, (see Figure 25). The average total cost of these projects has been \$10,400. The number of septic systems repaired last year through this program was 247. The five year average is 283 projects per year. Repair of farm and rural septic systems is the most numerous, single category of projects, contributing 46% 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.

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 septic system 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 the AgBMP loan repayment as well as property taxes to the county. In this way, the repayment is virtually transparent to the landowner and the risk for delinquent payment or default on the septic system loan is significantly reduced. There are 19 counties that have executed participation agreements to act as lenders. Counties have complete discretion in deciding whether to act as lenders.

Figure 12. Typical septic system installation



5. 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 27. Location of Other practices financed with AgBMP funds, as of 6/30/2013

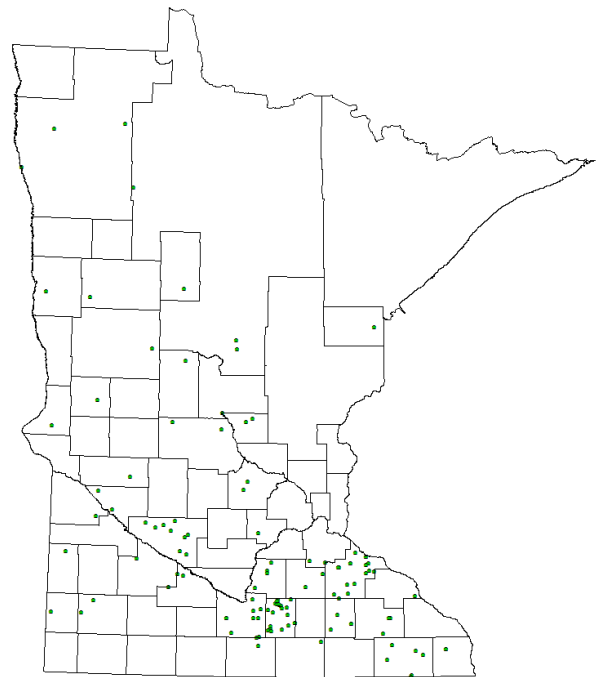


Figure 28. Well sealing project completed in Benton County



Figure 29. Example of a double wall containment tank funded by the AgBMP Loan Program



STATUS OF LOCAL REVOLVING ACCOUNTS

A feature of the AgBMP Loan Program prior to the 2001 legislation was the capitalization of revolving accounts held by a single designated Local Lender (under “designated lender” contracts) 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 locally for additional practices without any further financial transactions between the AgBMP Program and the lender for the next ten years. After year ten, the county had another ten years to complete repayment of the loan back to the state. Counties with these contracts under the original 1995 legislation continue to use this local revolving loan feature, though no new funds have been added to these contracts since 2005. These original contracts will be fully repaid and closed in 2026. Since the start of the program, the local revolving accounts under the designated lender contracts have been used for 5,361 projects, for a total cost of \$83.9 million.

New contracts executed under the 2001 legislation establish a revolving account held by the AgBMP Loan Program for the participating county. Funds are disbursed to any participating lender (under “multiple lender” contracts) as costs are incurred by the landowner. Repayments under these contracts begin one year after the loans are issued. These new “multiple lender” contracts will remain valid for as long as counties or lenders choose to participate in the program. To date, 2,679 loans totaling \$51.3 million have been funded under the multiple lender system.

The overall status, capacity, and characteristics of the revolving accounts are summarized in Table 12. As of June 30, 2013, approximately 59% 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 13%. For planning purposes, the counties use the cash on hand plus the estimated annual repayment revenue to estimate their future revenue stream.

Table 12. AgBMP fund account characteristics

Fund Capacity Characteristic	Amount	%
Total Appropriations	\$75.5 million	
Total Loans Issued	\$181.5 million	
Total Outstanding Loan Balance	\$44.8 million	59%
Total Project Costs	\$286.0 million	
Total Cash on Hand	\$ 30.7 million	41%
Estimated Annual Repayment Revenue	\$ 6.9 million	9%
Pace of Loans Issued During 2013	\$10.0 million	13%
Revolving Factor $((Total\ Loans)/(Total\ Appropriations))$	2.4	
Debt to Equity Ratio $((Total\ Appropriations)/(Total\ Project\ Costs))$		42%
Leveraged Funds $((Non - AgBMP\ Loan\ funds)/(Total\ Loans))$	\$104.7 million	58%

The counties’ aggregate 2013 proposed spending plan for their locally revolving loan accounts is shown in Table 13. Counties are required to manage their revolving funds in coordination with their requests for new annual allocations provided by the MDA as described in the *Allocation Process to Counties* section, page 2, of this report. Despite their ambitious 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. As shown in Table 5, total loans issued in 2013 was \$ 9.9 million. In recent years, many counties frequently exhaust their local revolving accounts and delay implementation of projects until repayments could replenish the accounts. Using the established annual application and reporting process previously described, funds are gradually moved from counties with unused funds to counties with pending projects. However, it is not considered prudent to manage the local accounts with a balance near \$0.00 because a low cash balance forces counties to sporadically suspend operations in a boom and bust cycle while waiting for repayments. Instead counties are encouraged to undertake a

consistent work load such that they are able to maintain a reasonable working cash balance sufficient to immediately fund practices as they are solicited and identified.

Table 13. Proposed use of locally held revolving funds for 2013

Category	Proposed Number of Loans with Revolving Funds	Estimated Maximum 12-Month Loan Capacity of Local Revolving Funds
Agricultural Waste Management	84	\$2,701,403
Structural Erosion Control	30	\$216,823
Conservation Tillage	103	\$2,583,870
Septic Treatment System	553	\$2,769,687
Other	39	\$197,656
Total Proposed Usage	809	\$8,469,439

COUNTY CAPACITY FOR IMPLEMENTATION

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 \$11.7 million in loans annually for the last five years, and \$9.9 million in FY 2013. 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.

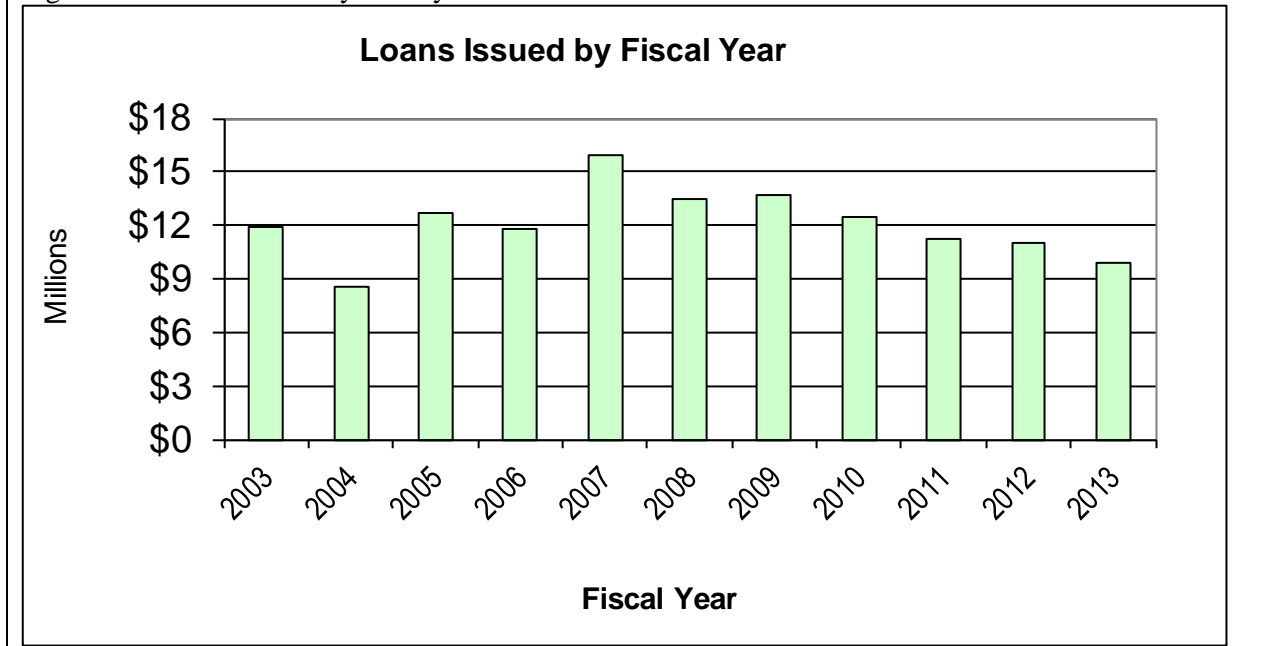
In recent years there have been pressures to increase demand for AgBMP loans:

- 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, Figure 30.

- 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.

Figure 30. Loans issued by fiscal year.



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:

- Receiving modest annual appropriations each year to continue to build the corpus of the revolving account in anticipation of increasing demand.
- Targeting of CWF appropriations for implementation of TMDL Implementation Plans
- Increasing the total capitalization of the AgBMP Program to about \$85 million.
- 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.

FISCAL MONITORING OF THE AGBMP LOAN PROGRAM

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 6/30/2013.
- 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.
- 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.

LOAN DEFAULTS

The AgBMP Loan Program requires participating lenders to provide security for all loans. 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 funds issued to the borrower are guaranteed to the AgBMP Loan Program by the local lender; therefore, the program does not require any security from the borrower directly, though the lender may require collateral as appropriate.

The AgBMP Loan Program does not require reporting of defaults by borrowers to lenders so it is unknown how many borrowers have defaulted on loans financed by the program. Nevertheless, there have been no defaults from lenders to the AgBMP Loan Program.

The AgBMP Loan Program does give local lenders some flexibility to renegotiate the loans when borrowers are unable to meet their repayment obligations. This includes options to:

- Renegotiating the term of the loan to a maximum of 10 years;
- renegotiating the frequency of payment to meet the borrowers cash flow; or
- deferring up to one year of payments, then re-amortize the remaining loan balance over the remaining number of years.

COST OF PROGRAM ADMINISTRATION

The 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. During the current biennium, the MDA’s total administrative cost for the program was about \$355,450 and covers all expenses to staffing the program. Currently, administrative funds are being provided from both the General Fund and from the Clean Water, Land, and Legacy Amendment funds. 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 14. 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. The average administrative cost for the program during the last biennium was \$397.15 per loan or \$17.02 per \$1,000 of loan issued. These measures are higher than prior years because fewer loans were issued in this reporting period.

Table 14. Costs for administration of the AgBMP Loan Program by the MDA.

FY Year	Admin Costs	Loans Issued	Total \$ Issued	Cost Per Loan	Costs Per \$1000
2012	\$174,913	494	\$11,008,072	\$354.08	\$15.89
2013	\$180,537	401	\$9,877,542	\$450.22	\$18.28
Total	\$355,451	895	\$20,885,614	\$397.15	\$17.02

PROGRAM HIGHLIGHTS CONTRIBUTED BY PARTICIPATING COUNTIES

A. GOODHUE COUNTY

A local farmer near Cannon Falls developed a project that included a new manure pit, cement curbing for manure run-off, and treatment for milk house waste. Funds were also used for a new manure agitator and spreader. The project was funded in coordination of state cost-share money and an AgBMP loan provided through the farmer's local lender, White Rock Bank. The project significantly reduced nutrient runoff from the facility and enabled the farmer to store and manage the manure for on-land application. The AgBMP financing with low interest and longer terms made the farm's cash flow workable to repay the loan.

Figure 31. Goodhue Feedlot Improvements.



B. WINONA COUNTY

Making Your Feedlot a Success Story

When Lyle Bonow and his sons Ryan and Taylor, of rural Lewiston, contacted The Winona County Soil and Water Conservation District (SWCD) in early 2011, they knew that they had manure storage concerns on their operation and wanted to do something to ease them. They were also looking to the future of their farming operation and keeping the family farm alive.

The SWCD and NRCS staff worked with Bonow's to identify the feedlot concerns, review the site conditions and limitations, evaluate solution options, and identify the best financial assistance options for their operation. The SWCD enlisted the aid of the Southeast Minnesota SWCD Technical Support Joint Powers Board (SRF JPB) Engineer, Pete Fryer, to design and engineer the project. The SRF JPB is an organization that consists of 11 SWCD's throughout the Southeast Minnesota Area and is available to provide assistance for projects consisting of feedlot run-off control practices and erosion control Best Management Practices (BMP's). The Bonow's were interested in manure storage that could be contained from the operation and used on the land during the year as a fertilizer. The final project involved abandoning all existing outdoor feedlots, constructing a new animal free stall structure, installing a milkhouse wastewater storage system, and building a manure storage pit. All clean precipitation was diverted away from the facilities. The SWCD and NRCS were able to secure funds through the Clean Water Fund Grant Program, Minnesota AgBMP Loan program, and the federal Environmental Quality Incentive Program.

"It was important for us to keep up with the rules and regulations of manure management. We wanted to plan ahead in order to give Ryan and Taylor an opportunity to continue on the family farm." said the older Bonow. Sometimes, working with government agencies can seem cumbersome and confusing for landowners, but everyone at the Winona County Conservation Office is willing to help respond to any questions and concerns a landowner may have.

Through the partnerships of the SWCD, NRCS, SE SRF, and the County Feedlot Officer, the Conservation Office can provide technical assistance to assist landowners to meet long term solutions and review financial assistance available through the AgBMP Loan Program, the Clean Water Fund or EQIP.

Figure 32. Feedlot Improvements at the Bonow farm.



C. BENTON SWCD IRRIGATION PROJECT

In 2013 Benton SWCD approved an AgBMP Loan for an irrigation efficiency project near Royalton. The project utilized loan funds to convert a traveling gun watering system to two low-pressure center pivots with metering and efficiency controls. The new pivot systems are able to apply water to crops with less waste to evaporation and drift – in addition they are more precise in their application, which allows farmers to apply just the amount of water needed by the crop.

Figure 33. Catch can uniformity testing in Benton County.



In order to further improve efficiency, the installed equipment is calibrated to improve the efficiency and even distribution. Figure 34 and Figure 35 show the results of these tests. Uniform water application prevents groundwater contamination due to over application and leaching of nutrients, and reduces groundwater consumption. In the figures, application amounts over the red line are excessive and potentially wasted. Distribution less than the target red line may cause drought stress reducing yields. Figure 34 shows even distribution except in the 80 ft. reach with excessive discharge (a leak in a seal was found). Figure 35 shows wide variation in application rates both above and below target levels and needs further adjustment throughout.

This project is part of Benton and Morrison SWCDs combined efforts to address irrigation water management in the Little Rock Creek groundwater recharge area and implements the objects of the Little Rock Creek low oxygen and temperature TMDL recommendations. By reducing water extraction needs of irrigated cropland, the base flow of the streams in this sandy region remain higher and therefore are more resistant to oxygen depression and peak temperatures.

Figure 14 - Center Pivot Water Application Distribution - Unit 1.

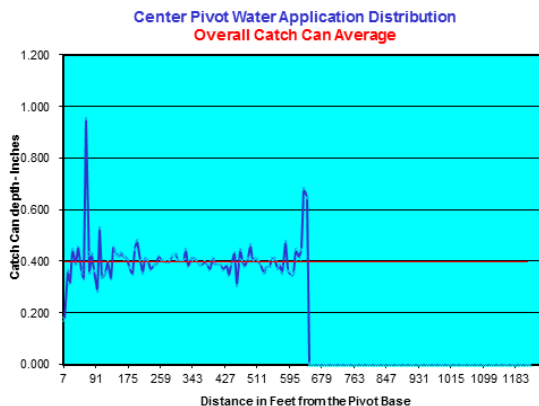
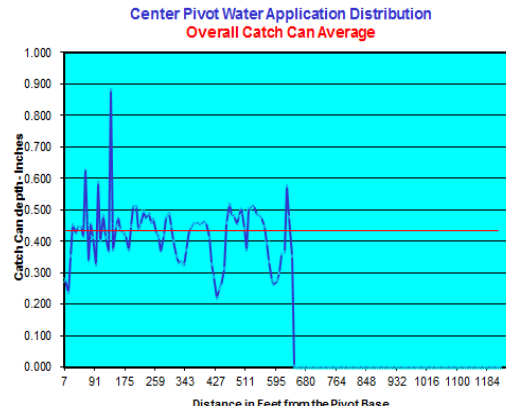


Figure 13 - Center Pivot Water Application Distribution - Unit 2.

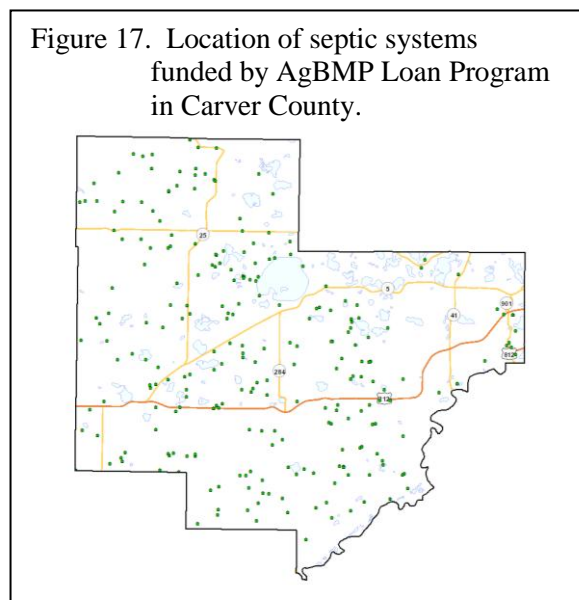
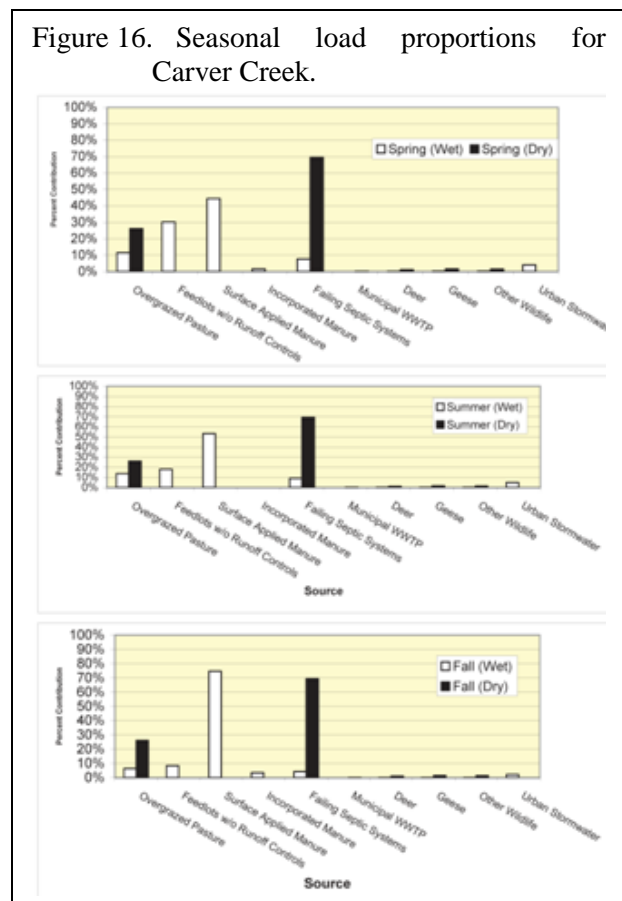
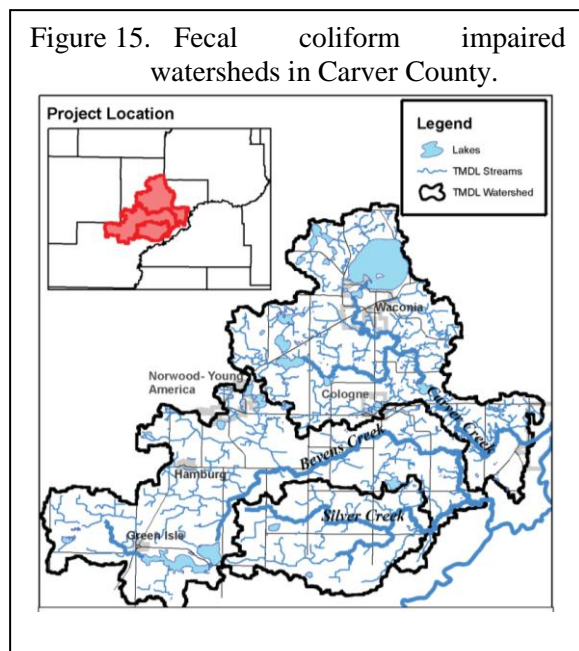


D. CARVER ISTS PROGRAM

Bevens and Carver Creeks are listed on the Minnesota State Impaired water list because waters with high levels of fecal coliform bacteria are not suitable for recreational activities (fishing, swimming); Figure 36 depicts the area of the impairments. Carver County Water management Organization conducted a study on these two creeks and the surrounding areas, which found that the main sources of bacteria in the creeks include manure applications and human “direct discharges” untreated sewage. Figure 37 depicts the percent fecal coliform contribution by source, which highlights the importance of remediating discharges from failing septic systems.

In 2008, Carver County developed a loan and cost share incentive program to tackle the direct discharges. The loan monies come through the AgBMP program and are available for SSTS improvements throughout the county. Through this joint effort, 127 direct septic system discharges have been eliminated. While still listed as impaired, Bevens and Carver Creeks are showing reduced levels of bacteria indicating that BMPs in the watershed have been effective.

Countywide, Carver County has helped finance 254 septic systems through the AgBMP Loan Program, Figure 38.



E. TODD AG WASTE PROJECT

Todd Soil and Water Conservation District has been helping farmers comply with environmental regulations, completing nine manure management projects during the biennium. Figure 39 shows a concrete tank for livestock manure storage at a site that feeds out Holstein steers. The site originally had open feedlots with very high MnFarm ratings for surface runoff pollution. The concrete tank provides manure storage so that it can be applied at agronomic rates according to the producer's nutrient management plan. The project also included abandoning the non-compliant open lots and moving the livestock into a constructed livestock building with concrete floors and walls to improve manure handling (Figure 40). Funding was coordinated with state and federal cost-share and an AgBMP loan to help finance the concrete manure storage tank, closing the open lots, site cleaned up, and seeding. Now all of the livestock are under roof with no potential for surface runoff.

Figure 39. Concrete manure storage tank (left side of picture).



Figure 40. Interior of livestock facility showing concrete work.



Figure 41. Manure storage tank for dairy operation, Todd County.



Figure 41 shows a concrete manure storage tank under construction for a dairy operation in Todd County. This site had no manure storage, so daily hauling and stockpiling of the liquid manure was the operator's only option. In addition, the original site also had open feedlots adjacent a county ditch with runoff problems.

The project resolved manure and milk house waste water problems by installing a concrete storage tank designed by NRCS engineers, included the option to scrape feedlot manure directly into the tank. A vegetated treatment area was also installed to treat the surface runoff from outside feedlots. The loan allowed the landowner to install the manure storage, address feedlot runoff and get his livestock operation in compliance while making it easier to manage.

F. HAPPY'S LANDING CLUSTER SEPTIC SYSTEM

This project is located on Lobster Lake in Douglas County. The Happy's Landings Association consists of 46 owners with a combination of cabins and RV's. The existing septic system was a combination of individual septic systems that served one or two RV's and cabins. The septic system was out of compliance and needed to be upgraded. The project involved the association purchasing some additional property to construct a cluster septic system with two different drain field areas. A collection system was installed to collect wastewater from all 46 units and treat it in the two drain fields. By installing the system, groundwater of the area is now protected from being polluted by untreated waste water, also surface water (Lobster Lake) is now protected by not having waste water surfacing on ground and being washed into Lobster Lake. A total of 21 Landowners used the Ag BMP Loan program to finance their share of the cluster system.

Figure 42. Aerial view of Happy's Landing project site on Lobster Lake, Douglas County, MN.



Figure 43. Construction of collection system in park at Happy's Landing Association, Douglas County, MN.



Figure 44. One of two treatment drainfields at Happy's Landing Association, Douglas County, MN.



Figure 18. One of two treatment drainfields at Happy's Landing Association, Douglas County, MN.



G. REDWOOD SOLIDS SEPARATION EQUIPMENT

Figure 46. Manure solids separator.



The producer in this project purchased a DODA manure liquid separator. The fluid manure is run through an auger then compressed on a rotating drum. The liquids fall away in the process and nearly dry solids are extruded. The liquids are stored in a holding tank for later land application and the solids are stock piled as shown in Figure 46.

The main goal of this project was to separate the majority of the phosphorus which adheres to the solids fraction of the manure and allow the farmer to better control phosphorus loading to their fields and ultimately phosphorus runoff.

The solids are reused as livestock bedding while the liquids, which are now higher in nitrogen, are injected at agronomic rates at suitable periods during the growing season. Other benefits include adverse effects on pH and odor problems.

H. EQUIPMENT

The AgBMP Loan Program is unique in the State's roles to encourage conservation practices in that it can fund costly farm equipment while most cost-share programs can only finance constructed practices such as feedlot upgrades and sedimentation basins.

It is important to have the capacity to safely store manure and other agriculture wastes, but the farmer also needs a means to manage, handle, load, haul, and apply the manure. In addition to facility upgrades, the AgBMP Loan Program can provide loan financing for the skidsteers, scrapers, augers, agitators, manure pumps, tanks, and spreaders.

Field erosion and runoff is a significant problem in many areas of the state. Cost-share programs can assist the landowner to install buffers, filter strips, terraces and basins; however one of the most effect techniques to retain soil on the land is through minimum and no-till tillage practices. To implement conservation tillage, the farmer often must acquire an entire line of specialized equipment to handle the excess vegetative debris left on the field and the AgBMP Loan Program can provide the financial incentive of low interest to obtain the right equipment to effectively manage soil loss.

Figure 47. Soil Warrior conservation planter (Watsonwan County).



Figure 20. Manure agitation equipment.



Figure 19. Case Smart Technology chemical sprayer (Becker County).



APPENDIX A. TOTAL ALLOCATIONS TO COUNTIES BY AGBMP LOAN PROGRAM

Table 15. Summary of allocations to local government units in the AgBMP Loan Program.

Local Government Unit	Number of Loans	1. Total Amount of Loans (\$)	2. Total Funds Available (\$)	3. Revolving Factor	4. Debt/Equity Ratio
Aitkin	50	615,509.00	288,320.00	2.13	51%
Anoka	6	90,405.00	93,292.00	0.97	448%
Becker	61	1,164,317.00	498,814.00	2.33	24%
Benton	68	997,500.00	608,134.00	1.64	40%
Big Stone	91	846,284.00	257,246.00	3.29	23%
Blue Earth	194	2,572,047.00	736,031.00	3.49	21%
Brown	171	3,317,846.00	1,162,580.00	2.85	27%
CCLNS JPB# 3	37	448,956.00	202,598.00	2.22	33%
Carlton	109	939,464.00	348,473.00	2.70	27%
Carver	381	5,190,724.00	3,824,493.00	1.36	57%
Chippewa	149	1,351,914.00	360,394.00	3.75	23%
Chisago	1	7,145.00	147,775.00	0.05	2068%
Clay	63	1,234,893.00	653,721.00	1.89	25%
Cook	67	964,922.00	1,031,766.00	0.94	104%
Cottonwood	250	4,886,122.00	1,528,260.00	3.20	18%
Dakota	164	2,747,407.00	809,167.00	3.40	19%
Dodge	106	2,096,256.00	716,516.00	2.93	25%
Douglas	95	951,076.00	413,095.00	2.30	33%
Faribault	152	3,848,164.00	1,279,498.00	3.01	20%
Fillmore	358	5,869,657.00	2,737,619.00	2.14	26%
Freeborn	224	4,167,116.00	996,704.00	4.18	19%
Goodhue	292	6,254,658.00	2,714,169.00	2.30	32%
Grant	23	970,826.00	606,508.00	1.60	44%
Hennepin	29	463,993.00	94,000.00	0.00	17%
Houston	118	1,245,111.00	564,902.00	2.20	27%
Hubbard	193	1,013,869.00	397,944.00	2.55	35%
IMPACK - 5 JPB	262	2,965,436.00	1,132,253.00	2.62	28%
Itasca	91	678,613.00	71,683.00	9.47	10%
Jackson	380	4,822,370.00	1,161,625.00	4.15	13%
Kandiyohi	129	1,527,105.00	1,046,845.00	1.46	29%
Kittson	165	4,163,593.00	1,043,018.00	3.99	16%
Lac qui Parle	97	1,310,327.00	473,982.00	2.76	24%
Le Sueur	191	2,711,921.00	578,409.00	4.69	14%
Lincoln	260	3,673,924.00	1,293,386.00	2.84	27%
Lyon	158	3,479,988.00	1,244,883.00	2.80	22%
Mahnomen	47	391,702.00	146,592.00	2.67	29%
Martin	228	4,423,522.00	1,171,764.00	3.78	18%
McLeod	44	620,715.00	146,317.00	4.24	20%
Meeker	95	921,241.00	277,201.00	3.32	21%
Morrison	64	1,329,385.00	782,109.00	1.70	27%
Mower	491	6,739,846.00	4,595,033.00	1.47	46%
Murray	337	6,362,780.00	2,083,971.00	3.05	18%
Nicollet	71	1,214,589.00	523,195.00	2.32	25%
Nobles	284	5,473,447.00	1,875,583.00	2.92	23%
Norman	2	54,125.00	100,000.00	0.00	185%
North Central JPB	216	2,065,741.00	1,033,352.00	2.00	42%
Northwestern JPB	343	11,431,355.00	4,502,934.00	2.54	22%
Olmsted	190	2,620,287.00	1,081,424.00	2.42	24%
Ottertail	35	454,424.00	346,940.00	1.31	43%
Pennington	19	410,980.00	74,920.00	5.49	10%
Pipestone	203	3,060,811.00	1,221,666.00	2.51	30%
Pope	98	1,137,128.00	1,179,719.00	0.96	93%
Ramsey	3	45,000.00	10,393.00	4.33	12%
Red Lake	10	213,180.00	36,818.00	5.79	14%

Local Government Unit	Number of Loans	1. Total Amount of Loans (\$)	2. Total Funds Available (\$)	3. Revolving Factor	4. Debt/Equity Ratio
Redwood	133	1,849,809.00	629,245.00	2.94	32%
Renville	208	2,314,616.00	690,689.00	3.35	23%
Rice	169	2,206,784.00	2,057,992.00	1.07	61%
Rock	366	5,409,665.00	1,635,740.00	3.31	23%
Saint Louis	124	1,900,324.00	450,356.00	4.22	24%
Scott	248	2,588,483.00	918,705.00	2.82	23%
Sherburne	52	417,857.00	153,510.00	2.72	23%
Sibley	197	2,485,938.00	1,156,435.00	2.15	43%
Stearns	116	1,931,472.00	760,485.00	2.54	19%
Steele	133	2,442,985.00	729,227.00	3.35	17%
Stevens	53	817,584.00	595,118.00	1.37	51%
Swift	106	1,437,848.00	434,956.00	3.31	12%
Todd	123	1,794,808.00	1,001,458.00	1.79	27%
Traverse	48	867,772.00	238,842.00	3.63	20%
Wabasha	192	3,150,564.00	1,468,159.00	2.15	31%
Waseca	392	7,383,436.00	1,895,655.00	3.89	18%
Washington	34	463,777.00	139,550.00	3.32	24%
Watonwan	335	5,984,919.00	2,181,347.00	2.74	21%
West Central JBP	86	1,137,471.00	-	0.00	0%
Wilkin	97	728,039.00	84,747.00	8.59	11%
Winona	143	3,059,946.00	1,369,495.00	2.23	24%
Wright	141	2,307,524.00	556,458.00	4.15	16%
Yellow Medicine	159	1,661,133.00	913,787.00	1.82	29%

1. Total Loan Amount: Sum of all loans issued by the county since program start.
2. Total Allocation: Current total of all AgBMP Loan Program funds available to county including cash on hand and outstanding loan balances.
3. Revolving Factor: A measure of how many times the funds have been used as calculated by $((Total\ Loan\ Amount)/(Total\ Allocation))$. The greater the number the more times the funds have been used or revolved.
4. Debt to Equity Ratio: A combined measure of how fast funds are revolved and how well other funds are coordinated or contribute to the cost of projects, very similar to a leverage ratio. This ratio shows the total of all funds currently assigned to the county compared to the total cost to implement all projects and is calculated as $((Total\ Available\ Funds)/(Total\ Cost\ of\ Completed\ Projects))$. A low percent suggests that continuous revolving use of the funds and good coordination with other financing such as cost-share or borrower resources. Extremely high ratios reflect limited activity. This usually means the county is new to the program (i.e. Chisago) and has done few loans or the county has recently received a substantial award (i.e. Cook).

APPENDIX B.
PARTIAL LIST OF PRACTICES FUNDED
BY THE AGBMP LOAN 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
Slurrystore 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
Case IH 9300 ridge till equipment
Case IH Tiger Mate
Caterpillar TL3-930 ripper
Concord 4010 grain drill

CONSERVATION TILLAGE EQUIPMENT, Cont.

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.