



Agricultural Best Management Practices Loan Program

Biennial Report

10/15/2019

Prepared by
Dwight Wilcox
625 Robert Street North, Saint Paul, Minnesota

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Table 1. Estimated cost of preparing report.

Estimated Cost of Preparing Report	Cost
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For additional information please contact:
Dwight Wilcox and Richard Gruenes
AgBMP Loan Program
Minnesota Department of Agriculture
625 Robert Street North
St. Paul, Minnesota 55155-2538

Phone: (651) 201-6618

Email: AgBMP.Loans@state.mn.us

Executive Summary

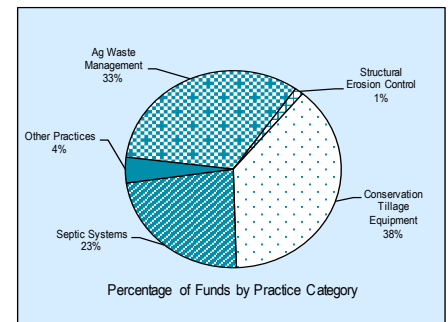
In 1994 the Minnesota Legislature enacted initiatives to provide long term, sustained funding to resolve nonpoint source water pollution problems. One component of these initiatives was the Agricultural Best Management Practices (AgBMP) Loan Program which was created to assist local governments implement local environmental plans, including their Comprehensive Local Water Plan, Minnesota 319 Nonpoint Management Plan and others. 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 and reduction 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; however, any local water manager may forward eligible practices to be implemented. Any financial institution or government unit capable of servicing loans, providing adequate security, and guaranteeing repayment may participate as lenders under the program.

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

This report summarizes activities of the AgBMP Loan Program through 6/30/2019.

The program has received \$77.0 million since 1995, primarily from Minnesota's Clean Water State Revolving Fund. AgBMP funds are available in all counties. Because of the revolving loan structure, the appropriations have been reused 3.28 times to financed 14,717 projects with total loans of \$252.4 million. The total cost for all completed projects that include AgBMP Loan Program financing is estimated to be \$380.3 million by leveraging another 151% from other sources. In biennium 2019–20, 1,893 projects were completed totaling \$43.4 million in loans. The adjacent figure shows a summary of loans in dollars by category issued since 1995.



- 2,545 Agricultural Waste Management practices (33% of all practices) have been implemented throughout the state (256 in biennium). These systems include replacement or upgrading of manure holding basins; manure handling and incorporation equipment; and feedlot improvements such as diversions and filter strips to control feedlot runoff.
- 977 Structural Erosion Control practices (1% of all practices) have been funded (740 in biennium) including projects such as sediment control basins, waterways, terraces, diversions, buffer and filter strips, windbreaks, gully repair, and easements.
- 3,974 Conservation Tillage practices (38% of all practices) (197 in biennium) have been implemented, including various types of seed bed preparation, planting, cultivation, and harvest implements that leave crop residues on the soil surface.
- 6,835 Sewage Treatment Systems (23% of all practices) (545 in biennium) have been repaired or replaced.
- 386 Other practices (4% of all practices) (155 in biennium), including well sealing, chemical and petroleum storage containment structures, and chemical spray equipment have also been funded.

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Fiscal Year versus Budget Year

Throughout this report numerous figures and tables are generated to summarize activities of the AgBMP Loan Program. For consistency in all transactions and reported activities the actual date of the event or transaction is used to calculate the fiscal year. This may result in some transactions at the beginning or end of a fiscal year having a fiscal year different than the SWIFT budgetary year for the same event.

Agricultural Best Management Practices Loan Program Biennial Report

1. 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) with the implementation of their agricultural and rural components of their Comprehensive Local Water Plans (CLWP), Total Maximum Daily Load (TMDL) Implementation Plans, Wellhead and Sole Source Aquifer Protection Plans and other environmental planning documents.

The AgBMP Loan Program provides loans for projects:

- that prevent or reduce water pollution or as authorized by the funding source,
- 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 borrower's loan.

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 traditional agricultural issues, the program has been intentionally designed to encompass non-agricultural pollution and other environmental issues in rural Minnesota, such as on-site and decentralized sewage treatment systems, drinking water standards, and riparian stabilization practices. The program has an adaptable framework to distribute loans for any eligible project from any funding source appropriated to the program to address exigent circumstances.

2. 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 Minnesota Statutes 17.117. In some cases, specific subsequent session laws have established priorities or expanded eligibilities for some appropriations to the program, such as targeting septic system replacement by 1997 Session Law Chapter 246 Section 6, authorizing odor control financing in the 2000 Session Law Chapter 492 Section 10(3), and address drinking water standards in privately owned wells by 2016 Session Law Chapter 189 Section 6 Subd 11a.(c).

The program was first authorized in 1994 with periodic amendments to address emerging issues. During the last biennium the program was amended to allow multiple landowners obtain individual loans to finance their respective financial responsibility for cooperative projects involving multiple individuals such as financing manure basins owned by partnerships, buffers encompassing entire drainage systems, and cluster septic systems with multiple connections. In addition, the statute allows the requirements or provisions of an appropriation source to take precedence over sections of MN §17.117. When the appropriation language does not include specific provisions or eligibilities, the provisions of MN § 17.117 takes precedence. This allows

the program to quickly comply with funding source changes or eligibilities and eliminates potential conflicts.

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. The United States Environmental Protection Agency approves this plan.

Barataria-Terrebonne National Estuary (B-T NEP) 320 Comprehensive Conservation Management Plan: This plan provides guidance for SRF funded practices implemented throughout the Mississippi River Watershed, including the southern two-thirds of Minnesota, which will mitigate water quality problems in the downstream Barataria-Terrebonne Estuary and the Gulf of Mexico. The United States Environmental Protection Agency approves this 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 or an equivalent document, 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.

Other Water Planning Document Variations: Minnesota develops variations in the style and format of water plans as it continually strives to protect its water and target vulnerable resources. These additional planning resources and documents, regardless of how they are identified, provide guidance and recommended best practices for water resource management. Some of these additional documents are Sole Source Aquifer Plans, Wellhead Protections Plans, Water

Supply Plans, Watershed Management Plans, Clean Water Roadmap, and One Watershed One Plan.

Contracts with Participating Local Government Units: Each Local Government Unit has entered into a contractual agreement with the State of Minnesota to oversee and administer the AgBMP Loan Program within their jurisdiction.

Contracts with Participating Local Lenders: The AgBMP Loan Program has a network of over 250 lending institutions and local branch offices. Typically, one contract is issued to each participating institution which allows all local branches to participate as well. The contract formalizes the lender's responsibility to underwrite, service, and guarantee repayment of the loan back to the AgBMP Loan Program.

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.

3.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" and "LGU" are interchangeable and 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 county Soil and Water Conservation Districts.

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

After 24 years of awarding funds to counties, most counties have built up their respective, MDA held, individual revolving accounts. The principal in these accounts represent a dynamic balance between the total appropriations to the AgBMP Loan Program, the recent activity level of the LGU, and economic conditions including:

- The capacity of the program to provide funds to capitalize loans.
- The capacity of local LGUs to identify and develop projects.
- The capacity of landowners to take on debt.

The AgBMP Program has adapted its procedures to streamline and simplify movement funds from county to county such that repayment revenue from past loans approximate recent average activity of the respective county.

However, if an LGU is unable to sustain a high activity level, the program has procedures to rescind unused funds and make them available to other LGUs. By achieving this maturity, flexibility, and cooperation with participating organizations, the importance of the annual allocation process has been significantly reduced such that most counties use past allocations for future projects and only request additional funds when needed and release the funds when left unused.

Despite the total appropriations to the program of over \$77.0 million and the streamlined and relatively simple procedures to adjust allocations to individual LGUs; economic conditions, such

as interest rates for competitive loan productions, price of farm inputs, sale price of commodity, and trade restrictions such as tariffs can overwhelm the capacity of the AgBMP loan demand beyond the program's sustainable loan capacity and can exhaust an LGU's available funds. When this happens, LGUs are forced to suspend activities and interrupt service to clientele until the next scheduled lender repayment cycle or additional appropriations are received.

To facilitate the perpetual revolving nature of this program, all contracts with the counties were modified in 2015 such that their contract has an award amount equal to all funds under the oversight of the respective county, whether as available principal for use or as an active loan with an outstanding loan balance. In this way, as monies are disbursed by the state or repaid by participating lenders, the total amount under the county's contract does not change. This eliminated annual contract budget amendments and has greatly simplified the program's administrative and accounting requirements.

The program retains the framework for competitive and non-competitive applications; however, during the last biennium, the automatic reassignment of repayments from participating lenders provided most funds to counties. For practical purposes, there has not been a need for a competitive application process in recent years.

Instead, depending on the number of requests from counties, the idle funds available for use, and past performance of the counties, AgBMP staff contacts selected counties with unused funds to negotiate a voluntarily release a portion of their allocation back to the Statewide Interim Allocation Pool authorized under Minnesota Statutes 17.117 6b(c), where it is then awarded to those counties that anticipate an increase in activity. The program is an example of cooperation among counties rather than competition.

For details on the competitive application system, prior AgBMP biennium reports may be reviewed.

Counties are required to submit annual reports that summarize their past activities and propose a tentative budget for anticipated activities in the upcoming year. The counties may request additional funds in their annual report and these requests are reviewed as provided in statute. During the last application and reporting period, 31 counties increased their allocations (total increases of about \$13.74 million), while 42 released a comparable amount back to the Statewide Interim Allocation Pool. There were 2 counties that did not change their allocation amount.

4. CASH FLOW PROCESS

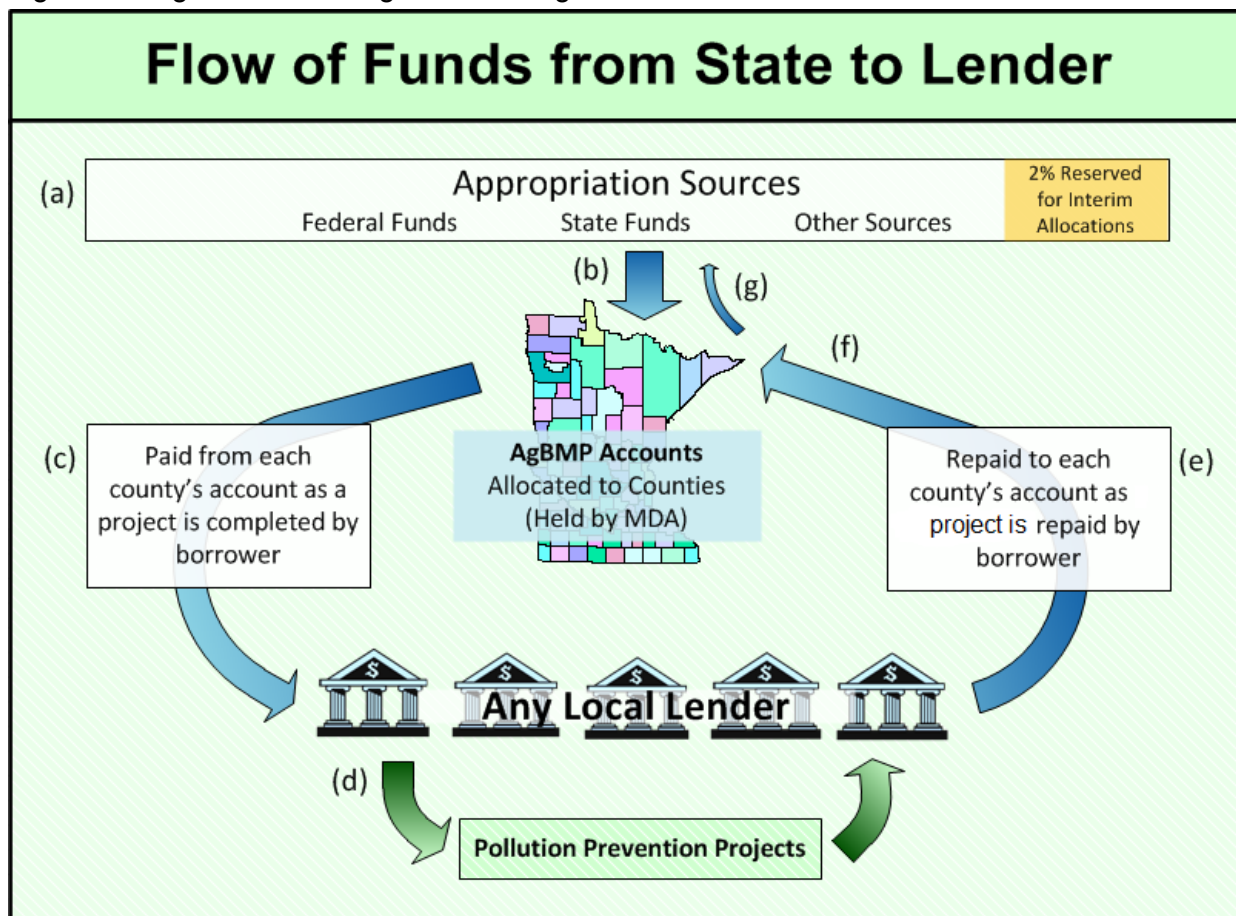
Figure 1 shows a flow chart of the funds through the AgBMP Loan Program. The process to finance a project follows these steps (letters correspond to items on Figure 1):

- a. The MDA account may receive appropriations from state, federal, other sources, or from LGUs that release part of their past allocations (g).
- b. Depending on the amount of new funds and the demand for the funds, the annual application process or interim allocations are used to formally award these funds to the counties. The money is not sent directly to the counties, instead the funds are held by the AgBMP Loan Program in accounts designated for use by each participating county.
- c. Lenders may request funds for projects that have been approved by counties.
- d. Lenders then issue loans to the borrowers and the borrowers repay the loans to the lenders.
- e. Each April and October, lenders repay the loan principal back to the AgBMP Loan Program as the borrowers repay them. They retain interest earned as a fee for servicing and guaranteeing the loans.
- f. The repaid funds are deposited into the AgBMP account for the county from which the repayment was received. The process then will perpetually repeat itself from (c) to (f) for as long as the county uses the funds.
- g. If funds are not used, they may be voluntarily released or rescinded and made available to all counties (a).

Under this system, as repayments are received, the money is 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.

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 from repayments (e) increases since more loans are being repaid. However, if a county's activity level decreases, the repayment revenue (f) from prior loans would not be fully used. If those repaid funds are not used within one year, they could be rescinded (g), thus reducing future repayment revenue to match the new activity level. This results in a stable, reliable funding source, commensurate with the county's capacity to implement projects. The program has found that annual adjustment of the allocations is frequent enough to assure reasonable use of the funds yet gives the counties adequate time to solicit, design, and implement practices.

Figure 1. AgBMP Loan Program revolving cash flow chart.



Under the original 1995 legislation, once funds were sent from the MDA to a county's exclusive designated lender, repayments from the original projects were retained by the local banks and could be re-loaned for additional eligible, LGU approved projects for up to ten years before repayment to the MDA began. However, this system has been discontinued and no additional funds have been added to that system since 2005. All the original local accounts are in repayment status and when repayments are received, they are automatically re-awarded to the same LGU under the 2001 statutory amendments and continues to be available to them for new loans through any participating lender.

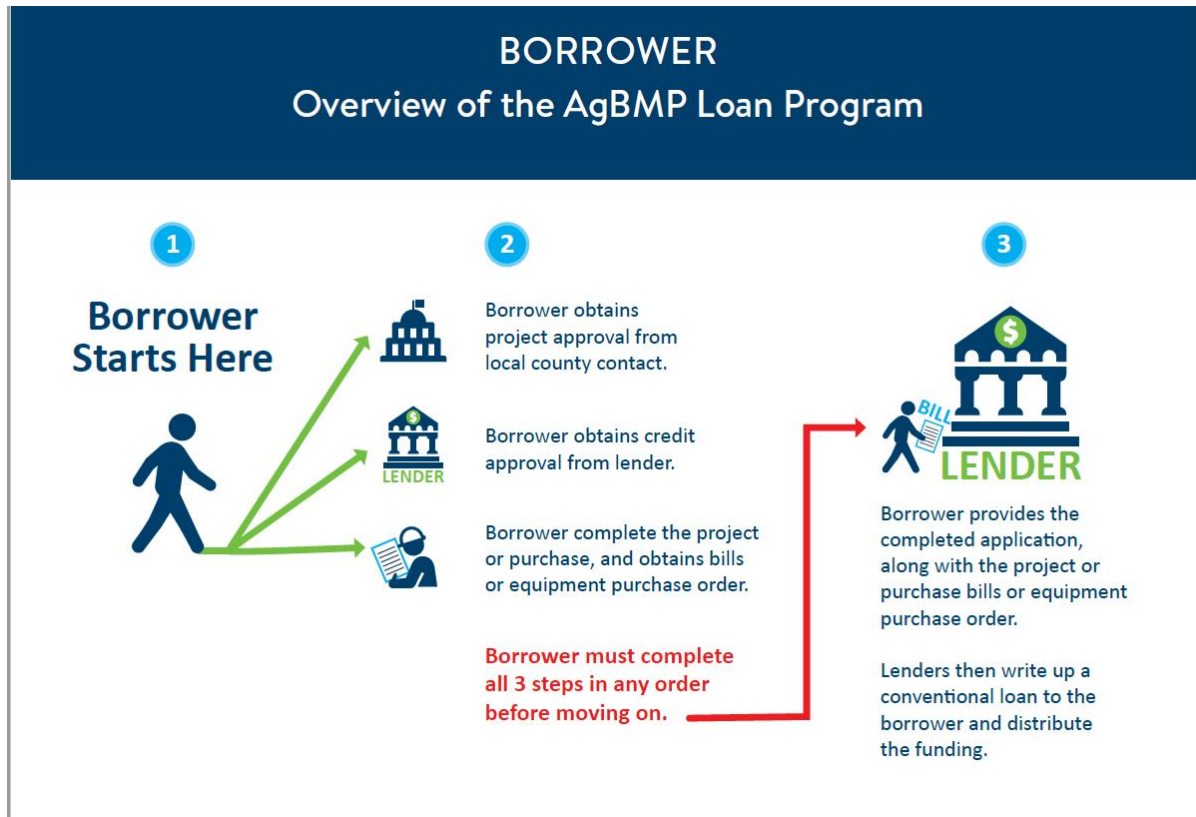
5. PROJECT APPROVAL PROCESS

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

1. The Borrower identifies a problem, issue, or opportunity to reduce environmental impacts.
2. The Borrower obtains approval from the local county, a participating lender, and finds a qualified and willing contractor or supplier. Although the program encourages borrowers to obtain the local county approval first, then the local lender, projects can be identified and approved in any order.
 - The local county approves the environmental benefits of the project and earmarks a budget.

- The local lender is selected by the borrower for credit review and must be willing to service the loan. The lender will interact with the borrower just as with any other loan product offered by the lender.
 - The borrower may negotiate with designers, contractors or supplier for the project, within the requirements and maximum amount approved by the county and the lender.
3. As project costs are incurred, the lender and the AgBMP Loan Program will transfer the funds behind the scenes without the borrower’s involvement. The lender will deal with the borrower using their internal procedures as if it was a conventional loan.

Figure 2. Steps of the borrower loan application process.



6. TARGETING AND PRIORITIZATION

The AgBMP Loan Program and its participating counties use the many environmental planning documents to guide their prioritization and targeting for funds implementing best management practices:

- At the statewide level, Minnesota's 319 Nonpoint Source Management Plan, the Barataria -Terrebonne National Estuary 320 Plan (B-T NEP) prioritizes and establishes broad water quality objectives, priorities, and goals. The Minnesota 319 plan is prepared by multiple Minnesota state and local agencies with oversight by the MPCA and is open for public comment. The B-T NEP is prepared by the Barataria-Terrebonne National Estuary with the advice of a Management Conference. Its membership includes representatives from industry and business, fisheries, agriculture, oil and gas, government agencies, individual citizens, landowners, civic organizations, hunters, scientists, engineers, environmentalists, economists, and urban planners 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 recommended 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, Watershed Restoration and Protection Strategy (WRAPS), One Watershed – One Plan, and similar planning documents evaluate and address specific water quality impairments. These plans are professionally prepared, reviewed by local, state, and federal agencies, and open for public comment.
- The AgBMP Loan Program can also be used to implement other environmental plans, such as protection of wellhead areas and sole source aquifers.

All projects funded by the AgBMP Loan Program must be approved by a county confirming that the project will implement a component of a recognized environmental plan or is otherwise eligible by statute or appropriation source.

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

With a mature program as this, the backlog of high priority projects considering a loan for assistance is small; therefore, most counties approve eligible projects as they identify ready and willing clients that meet local lending criteria.

The project approval process by counties varies greatly; however, most counties have chosen to delegate the authority to approval projects to local expert and technical staff without requiring individual board action. A few counties use a local review panel to evaluate and rank eligibility.

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, WRAPS, and other environmental planning documents provide background and guidance to the local counties, but it is ultimately the county and a landowner

that must transform those recommendations into real projects that are both effective to address water quality issues, economical, and of benefit to the landowner.

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 the borrower is unable to, 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 since they are ultimately responsible for repayment. 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.

7. REQUESTED FUNDING AND SCOPE OF WORK

Past Requests for Funding from Counties

For the first time in many years, the amount requested by counties in the 2019 application and report period greatly exceeded the funds available. The counties proposed total projects of \$32.98 million while estimated loan capacity for the year was about \$24 million. As described in Section 3 of this report, the submitted county requests were negotiated down to the lending capacity of the fund at the time.

Based on the recent applications and other communications with the counties and the lenders, we believe the future demand for the program will continue to exceed the current lending capacity.

Appropriations to the AgBMP Loan Program

The AgBMP Loan Program has received \$54.8 million in SRF funds through the PFA and direct appropriations totaling \$22.2 million from the State Legislature; \$77.0 million in total, Table 2. Through the AgBMP Loan Program revolving structure, these funds have resulted in \$252.4 million in total loans (Table 3).

Current statute authorizes the program to manage up to \$140.0 million in total appropriations. The program is currently funded at 55% of this spending authority.

Table 2. Appropriation to the AgBMP Loan Program.

NAME	Amount Appropriated
Countywide Septic & Well Loan Fund	\$4,000,000.00
Federal State Revolving Fund	\$54,809,195.00
State Air & Water Quality	\$1,000,000.00
State Legacy Act	\$3,301,357.05
State Clean Water Fund	\$13,888,033.62
Total	\$76,998,585.67

Table 3. Total loans issued through the AgBMP Loan Program.

Category	Number	Loan Amount
Ag Waste Management	2,545	\$82,902,190.28
Structural Erosion Control	977	\$3,312,404.13
Conservation Tillage Equipment	3,974	\$96,998,654.03
Septic Systems	6,835	\$58,571,485.35
Other Practices	386	\$10,571,254.61
Total	14,717	\$252,355,988.40

Sustainable Capacity for Loans

The ability of the program to provide a reliable and sustainable source of funds to capitalize more loans depends on the repayment revenue of past loans. The repayment rate will vary depending on the mix of outstanding loans in the portfolio and their individual amortization schedules. The shorter the amortization schedule, the faster the rate of return and the more capacity for subsequent loans. Although the program calculates amortization schedules that sets the minimum repayment amount, in practice, borrowers frequently pay more than the minimum required so the program encourages lenders to use a “sweep” account to repay all principal they have received from their borrowers, even when it is not due by contract. During the last biennium, repayments averaged 13.9% of total appropriations per year. Using the observed repayment rate and the current appropriations, the program repayments will generate approximately \$21.40 million per biennium (\$10.70 million per year) with no additional appropriations. When demand exceeds this amount, projects will be delayed or declined until the demand drops to meet the lending capacity. If repayments exceed the demand from new projects, the cash balance in the account grows and the loan capacity temporarily increases until the cash balance can be drawn down. This was observed during the 2007 recession and the subsequent recovery period, enabling \$43.4 million in loans for the past biennium. However, with the current appropriations, the program cannot sustain current loan demand and anticipates significant decline in loan activity during the next biennium.

Because loans are constantly being disbursed and repayments are regularly being received, the status of the accounts are constantly changing. Table 4 shows a snapshot of the account balances as of the end of the biennium.

Table 4. Summary of total appropriations, outstanding balance, and cash on hand by funding source as of 6/30/2019.

Funding Source Name	Total Appropriations for Loans	Total Outstanding Loan Balance	Cash on Hand
Countywide Septic & Well Loan Fund	\$4,000,000.00	\$2,441,562.54	\$1,558,437.46
Federal State Revolving Fund	\$54,809,195.00	\$46,713,168.46	\$8,096,026.54
State Air & Water Quality	\$1,000,000.00	\$468,613.12	\$531,386.88
State Legacy Act	\$3,301,357.05	\$2,506,692.03	\$794,665.02
State Clean Water Fund	\$13,888,033.62	\$11,317,317.31	\$2,570,716.31
Total	\$76,998,585.67	\$63,447,353.46	\$13,551,232.21

Borrower Cost-share Coordination AND IMPLEMENTING EXPANDED ELIGIBILITES

The AgBMP Loan Program can finance the total cost of a project including expenses such as fees, permits, engineering, construction, implements, materials, supplies, land, landscaping, and site restoration. Individual borrowers may have multiple loans but are limited to owing the program no more than \$200,000 at any time. The \$200,000 project limit was eliminated in the 2019 amendments. Table 5 shows a summary of the average reported individual total project cost, average individual 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 over the past biennium. The AgBMP Loan Program on average financed for 93.6% of the total cost of projects, while the borrowers contribute the balance from personal resources, cost-share programs, equipment trades, or other financial resources.

Table 5. Summary of average total cost of a project by practice category, average individual loan amount, average annual total of loans by category, and percentage of project paid from AgBMP funds for the biennium.

Practice Category	Average Total Project Cost	Average Loan Amount	Average Total Amount of Loans per Year	Average Number of Loans per Year	Average Percentage Ag BMP Loan Contribution to Project Cost
Ag Waste Management	\$101,458.29	\$63,098.24	\$8,076,575.18	128	83.5%
Structural Erosion Control	\$2,125.06	\$1,679.91	\$621,567.25	370	99.4%
Conservation Tillage Equipment	\$81,826.54	\$62,462.49	\$6,152,555.42	98	86.5%
Septic Systems	\$16,511.55	\$14,851.35	\$4,046,993.31	272	92.9%
Other Practices	\$41,801.96	\$35,975.09	\$2,788,069.77	77	93.2%
OVERALL VALUES	\$31,243.42	\$22,911.53	\$21,685,760.92	946	93.6%

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 and can provide a low-interest loan option to finance landowner match requirements. The AgBMP loans are considered a cash contribution provided by the borrower for all other state and federal cost-share grant and loan programs.

State cost-share for conservation on agricultural lands and associated water quality improvement are typically administered through the BWSR to various local government units, including Soil and Water Conservation Districts, Watershed Districts and Counties. The NRCS administers substantial federal cost-share funds for agricultural BMPs and frequently provides technical and engineering assistance. Local LGUs that administer the AgBMP Loan Program provide the valuable service of helping landowners apply for AgBMP loans and state and federal cost-share and technical assistance programs. Because 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.

With the flexibility of multiple funding sources and loan financing, the AgBMP loan program can select appropriations with specific eligibilities to fund many types practices that may not be eligible for state and federal cost share grants.

8. CLEAN WATER FUND ACTIVITY

Overview of Clean Water Fund



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

The AgBMP Loan Program has received appropriations from the CWF to increase the program's loan capacity and provide partial administrative funding to meet increasing demand for loans.

Because the AgBMP Loan Program has a perpetual, revolving loan framework, this program will have continuing, environmental benefit far beyond their initial use.

Allocations from Clean Water Fund

The AgBMP Loan program has received \$14.2 million from the CWF in total. Approximately \$13.9 million (97.8% of all appropriations) has been used to capitalize pass through loans to implement best management practices recommended in local environmental plans, see Table 6. The balance (\$0.3 million) was used for MDA administrative expenses. A total of \$22.7 million in loans have been issued from these funds. These funds are allocated to counties using the same procedures as all other funds appropriated to the AgBMP Loan Program and may be awarded for projects anywhere in the state.

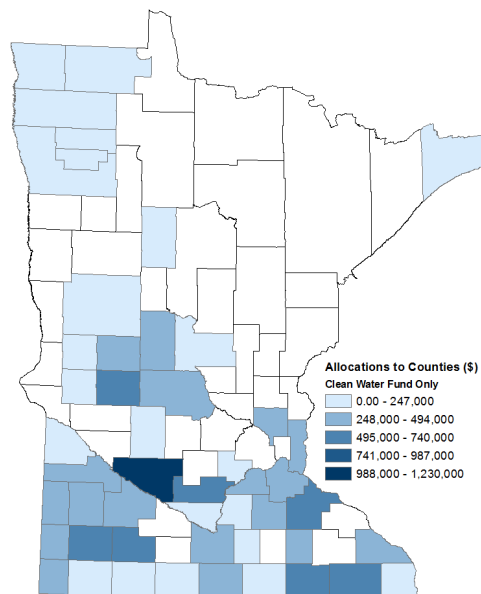
Table 6. List of Clean Water Fund appropriations showing the amount available for pass through loans and total appropriation.

Appropriation Citation	Total Appropriated	Available for Loans
2009 Session Law Chap. 172 Art. 2 Sec 2e	\$4,500,000.00	\$4,452,489.90
2011 1st Special Session Law Chap. 6 Art. 2 Sec 3(c)	\$9,000,000.00	\$8,952,326.10
2013 Session Law Chap. 137 Art. 2 Sec 3(c)	\$400,000.00	\$340,000.00
2015 Session Law Chap. 2 Art. 2 Sec 3(c)	\$150,000.00	\$83,424.18
2017 Session Law Chap. 91 Art. 2 Sec 3 (c)	\$150,000.00	\$59,793.44
Total	\$14,200,000.00	\$13,888,033.62

Prioritization

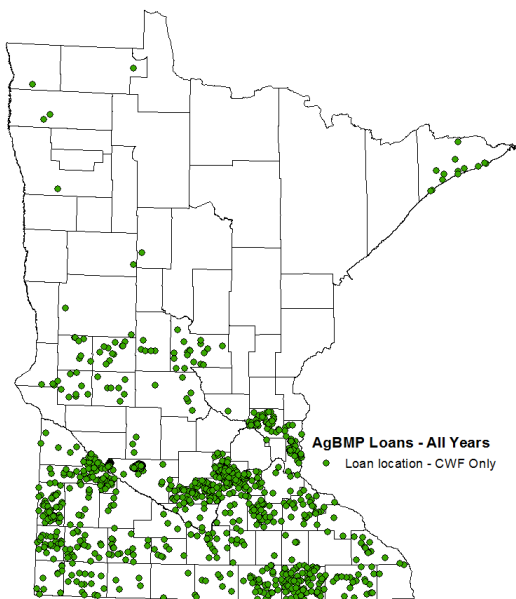
CWF dollars are currently one of five funding sources managed by the AgBMP Loan Program that contribute to a county's total available funds. Figure 3 shows a snapshot of the counties that had CWFs under contract at the end of this biennium; however, the amount of CWF for any specific county will change over time due to changing activity level and types of practices implemented. All loans supported by the CWF implement recommended best practices identified in local environmental planning documents such as TMDL Implementation Plans, Local Comprehensive Water Plans, Wellhead Protection Plans, and the state's 319 Nonpoint Source Plan. CWF are used exclusively to address surface and groundwater quality issues.

Figure 3. Current allocations to counties from Clean Water Funds.



Clean Water Fund Loan Activity

Figure 4. AgBMP CWF project locations through 6/30/2019.



Through 6/30/2019, the program has financed 1,345 loans (Figure 4) providing \$22.7 million dollars in financing (Table 7) from the Clean Water Fund. CWF dollars made available through the AgBMP Loan Program frequently leverages* additional spending on clean water activities beyond the loan amount itself. To date, this program has leveraged \$12.1 million in additional funds (Table 7).

**All expenses that are reported by the borrower that are not paid by the AgBMP loan are considered leveraged funds. Leveraged funds can include fund sources such as out of pocket expenses, trade in value, other sources of state and federal funds, or traditional financing.*

Table 7. CWF loans by category as of 6/30/2019.

Category	Number	Loan Amount	Amount Leveraged	Project Cost
Ag Waste Management	166	\$9,764,105.62	\$9,258,125.15	\$19,022,230.47
Structural Erosion Control	363	\$303,004.14	\$80,049.60	\$382,898.33
Conservation Tillage Equipment	47	\$2,118,277.53	\$1,698,819.49	\$3,817,097.02
Septic Systems	721	\$9,004,983.62	\$790,867.25	\$9,746,978.59
Other Practices	48	\$1,525,310.50	\$233,258.60	\$1,746,243.10
Total	1,345	\$22,715,681.41	\$12,061,120.09	\$34,715,447.51

During the last biennium 561 loans were issued (Table 8). The location of projects financed with Clean Water Funds is shown in Figure 5.

Figure 5. Location and categories of CWF loans issued during biennium.

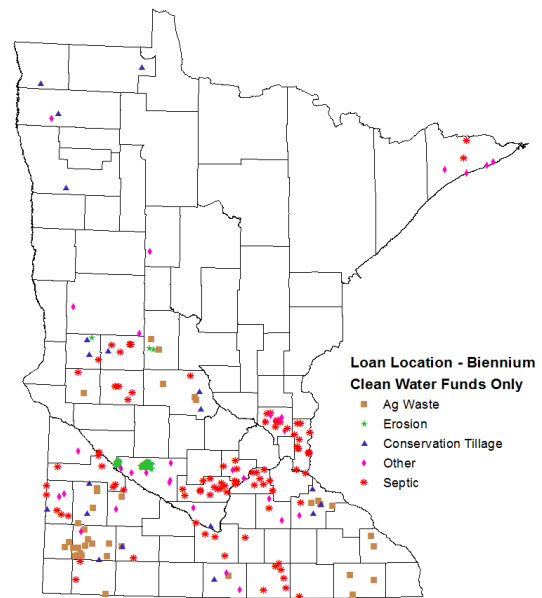


Table 8. Summary of loans funded with the Clean Water Funds.

Period	Number	Loan Amount	Amount Leveraged
Loans issued with CWF this Biennium	561	\$6,593,424.33	\$3,617,218.52
Loans issued with CWF - All Years	1,345	\$22,715,681.41	\$12,061,120.09

9. CURRENT STATUS – ALL FUNDS COMBINED

The values presented in the following descriptions are based on combined disbursement requests paid by the MDA for all funds administered by the AgBMP Loan Program prior to 6/30/2019. This includes federal SRF funding, Clean Water Funds, and other state funds.

All Years Combined

Through June 30, 2019, 14,717 practices totaling \$252.4 million in loans have been completed through this program (Table 9). During the last biennium, 1,893 loans valued at \$43.4 million were completed (Table 10), averaging \$1.8 million in loans each month.

Figure 6 shows the total available funds to counties throughout the state. (Appendix A is a list of the amounts by county.)

Because of the revolving nature of the program, total disbursements far exceed the total appropriations of \$10.0 million.

Figure 6. Cumulative amount of AgBMP funds allocated to counties, as of 6/30/2019.

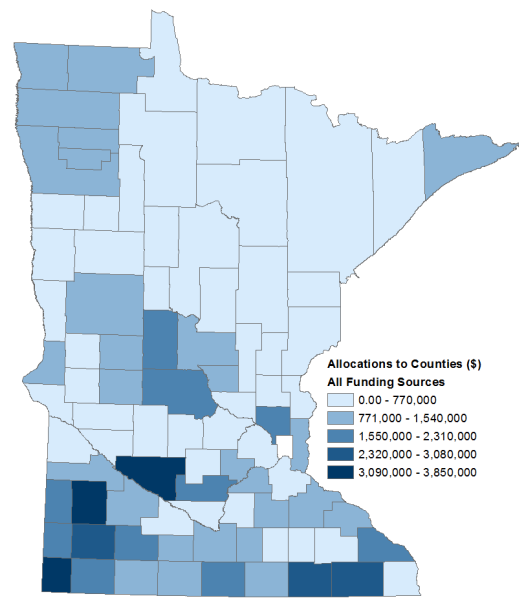


Table 9. Loans issued by numbers and total dollar amounts, 1995 - 2019.

Category	Number	Loan Amount	Amount Leveraged	Project Cost
Ag Waste Management	2,545	\$82,902,190.28	\$66,846,489.42	\$149,490,543.48
Structural Erosion Control	977	\$3,312,404.13	\$2,862,438.39	\$5,790,056.15
Conservation Tillage Equipment	3,974	\$96,998,654.03	\$51,219,571.43	\$148,154,043.84
Septic Systems	6,835	\$58,571,485.35	\$5,365,292.19	\$63,595,127.57
Other Practices	386	\$10,571,254.61	\$2,772,545.17	\$13,221,523.45
Total	14,717	\$252,355,988.40	\$129,066,336.60	\$380,251,294.49

Table 10. Number of loans issued and total dollar amounts for biennium.

Category	Number	Loan Amount	Amount Leveraged	Project Cost
Ag Waste Management	256	\$16,153,150.36	\$9,820,172.56	\$25,954,822.62
Structural Erosion Control	740	\$1,243,134.50	\$329,412.29	\$1,187,831.34
Conservation Tillage Equipment	197	\$12,305,110.84	\$3,814,717.55	\$16,072,264.39
Septic Systems	545	\$8,093,986.61	\$904,806.33	\$8,972,461.94
Other Practices	155	\$5,576,139.53	\$903,164.43	\$6,466,977.96
Total	1,893	\$43,371,521.84	\$15,772,273.16	\$58,654,358.25

Figure 7. Total Amount and number of all loans issued by county through 6/30/2019.

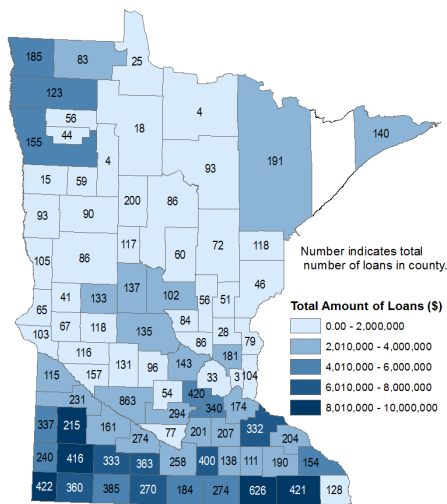


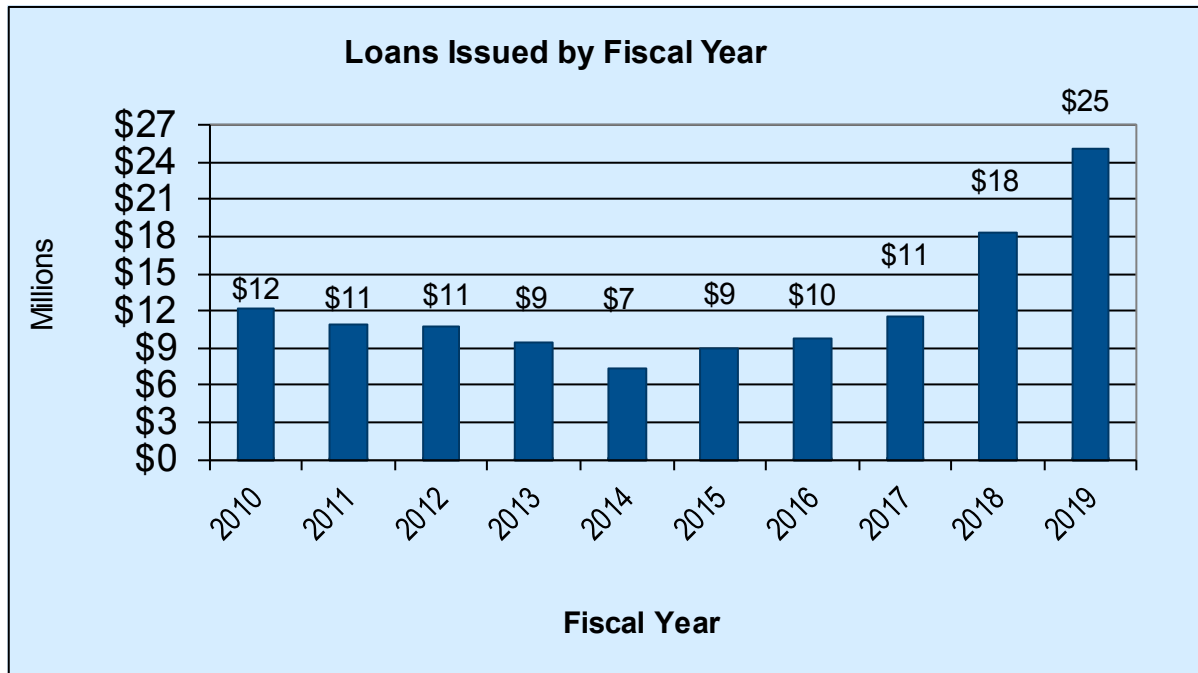
Figure 7 shows the total amount of loans each county has issued for the life of the program. The top five counties issuing the most loans by amount during last biennium is shown in Table 11.

Figure 8 shows the annual changes in the total amount of loans issued by fiscal year for the last 10 years, note the increasing activity during this biennium.

Table 11. The top five counties financing projects through the AgBMP Loan Program during the biennium.

LGU	Loan Amount	Number of Loans
Lyon SWCD	\$3,715,056.18	53
Northwest JPO	\$3,514,053.50	56
Murray Cty	\$1,972,748.65	48
Renville Cty	\$1,675,095.41	668
Rock SWCD	\$1,570,463.00	22

Figure 8. AgBMP loans issued during the last 10 fiscal years.



The impact of the overall economy in recent years is reflected in program activity. There was a decline in the number and amount of loans issued from 2008 to 2014 following the 2007 recession. In 2015, the loan activity increased reflecting the improvement in the national and agricultural economies. In both years of this biennium, the AgBMP Loan Program activity surpassed all prior annual activity.

Some factors that may be affecting the program activity include:

- Interest rates of comparable lender instruments
- Delayed purchases during the 2007 recession
- Tariffs on farm products, supplies, and equipment
- Updating farm practices and production methods
- Increased awareness of program
- Increased environmental responsibility

This program can issue loans to farmers, agriculture supply businesses, rural landowners, and water quality cooperatives. Figure 9 shows the location of all completed projects financed through the program (14,717). There were 1,893 projects completed during the biennium (see Figure 10).

Figure 9. Location of all loans issued for AgBMP projects, 1995 - 6/30/2019.

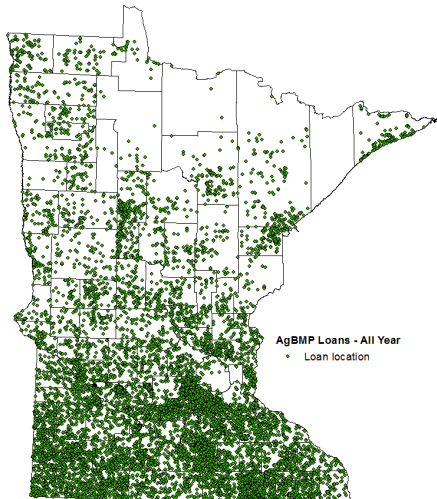
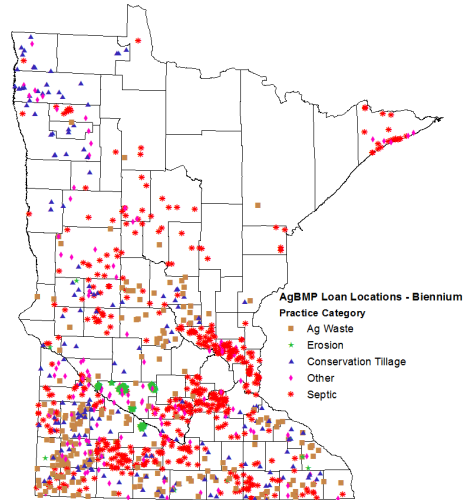


Figure 10. Location and category of all loans issued during biennium.



Although this program is administered by the Minnesota Department of Agriculture and most of the loans and most of the funds, 74.0% by number and 86.6% by amount, are used for traditional farm practices, the program is available to all Minnesota landowners. When practices that are not considered farm related, such as septic systems and wells, are tallied separately, over half the loans and amounts are issued for nonfarm landowners, Table 12.

Table 12. Summary of percentage for loans by number and amount issued for all practices combined and for nonfarm practices.

Loans Included	Percentage of loans by NUMBER for farms	Percentage of loans by AMOUNT for farms	Percentage of loans by NUMBER for NON-farms	Percentage of loans by AMOUNT for NON-farms
Percentage of Farm and Nonfarm loans issued for ALL PRACTICES to date	74.0%	86.6%	26.0%	13.4%
Percentage of Farm and Nonfarm loans issued for NONFARM PRACTICES to date	43.0%	39.2%	57.0%	60.9%

10. 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, states, 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.

Because eligible practices have already been proven effective, further research efforts to monitor on site environment changes are not required. Instead, estimated benefits are generated from environment models.

The following tables show the estimated annual reduction in pollutant load for the biennium activity and cumulative through the useful life of a practice. The biennium benefits represent only projects completed during the biennium while long term reductions include ag waste and septic practices completed in the last 30 years and conservation tillage practices completed in the past 10 years. *(Only those projects that had the requisite descriptive information were included in the calculations; therefore, the calculated values underestimate true benefits.)*

Table 13. Estimated nutrients managed following installation of AgBMP funded feedlot and manure handling equipment improvements.

Period	Number of Projects Funded	Total AU on Sites	Total N tons/yr	Total P tons/yr
Estimated Benefits of Biennium Projects	245	123,000	11,000	6,000
Estimated Benefits of All Projects	2,203	969,000	83,000	44,000

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

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

Table 14. Estimated annual sediment load reductions following implementation of conservation tillage practices funded by the AgBMP Loan Program.

Time Period	Total Projects	Total Acres	Sediment Reduction tons/year
Conservation Tillage Projects Completed During Biennium	197	264,000	1,016,000
Conservation Tillage Projects Completed During Last 10 Years	772	923,000	3,554,000

Source: NRCS, 1997 Natural Resources Inventory

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

Table 15. Estimated phosphorus and TSS load reductions following installation of AgBMP funded septic systems.

Period	Number Completed	P-Reduction lbs/year	N-Reduction lbs/year	TSS-Reduction lbs/year
Septics Completed During Biennium	544	3,200	10,200	43,500
Septics Completed to Date	6,835	40,000	127,800	547,000

Source: BWSR, Septic System Improvement Estimator

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

11. COMPLETED PROJECTS BY CATEGORY

Agricultural Waste Management Systems

During the last biennium there were 256 agricultural waste management loans completed using AgBMP loan funds. Since 1995, there have been 2,545 agricultural waste loans completed. A summary of the main types of practices completed in the last biennium is shown in Table 17 (some loans may include multiple practices so practices may exceed number of loans).

Figure 11. Location of loans for ag waste projects issued during biennium.

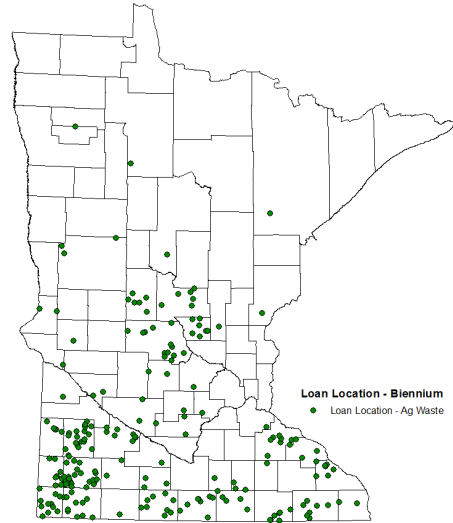


Table 16. Summary of agricultural waste loans issued.

Period	Number	Loan Amount	Amount Leveraged
Ag Waste Management Loans Issued this Biennium	256	\$16,153,150.36	\$9,820,172.56
Ag Waste Management Loans Issued All Years	2,545	\$82,902,190.28	\$66,846,489.42

Table 17. Most frequent types of ag waste practices completed during the biennium.

General Practice Description	Number Issued
Manure Management and Application	206
Feedlot Improvements	39
Manure Storage	22
Composting Practices	3
Total	270

**Projects may have multiple practices, so number of practices is not equivalent to number of loans issued.*

The average size of livestock operations receiving loans this biennium is 537 animal units. The size distribution of farms using this program for agricultural waste projects is summarized in Figure 12, indicating the program provides loans to livestock operations without regard to size.

Table 18 shows the most frequent livestock types of facilities utilizing the program, primarily beef, dairy, and pork producers. The average reported total cost of these projects for the biennium is \$101,458.29.

Figure 12. Number and size of farms receiving loans for ag waste management during biennium.

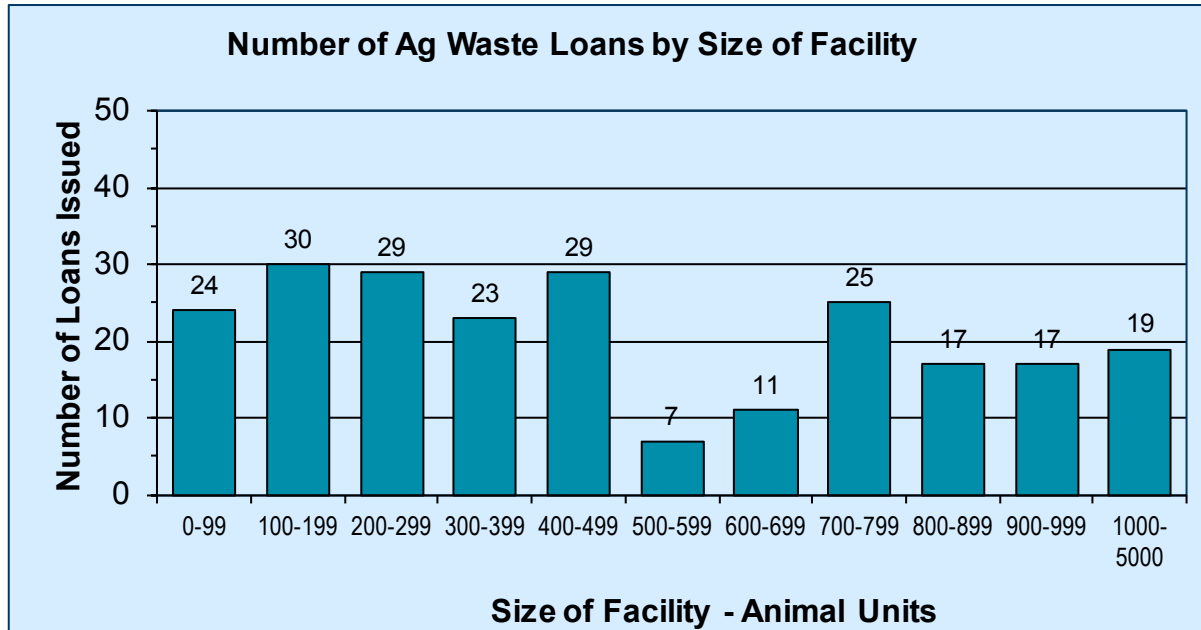


Table 18. Percentage of loans issued to most frequent types of animal production operations.

Type of Operation	Percentage
Cattle - Beef	27.0%
Cattle - Dairy	27.0%
Cattle - Unspecified	1.0%
Hogs - Finish	24.0%

Figure 13. Typical manure storage pit under construction in Olmsted County.



Figure 14. Manure treatment system in Stearns County.



Figure 15. Installation of manure storage structure in Olmsted County.



Structural Erosion Control Practices

Since 1995 to date, the program has funded 977 structural erosion control practices. During the last biennium there were 740 loans issued for structural erosion control practices, Table 19. Figure 16 shows the location of these loans and Table 20 lists the most common practices financed. The biennium average total cost for this category of projects was \$2,125.06, with \$1,679.91 as the loan portion.

Figure 16. Location of loans for structural erosion control projects issued during biennium.

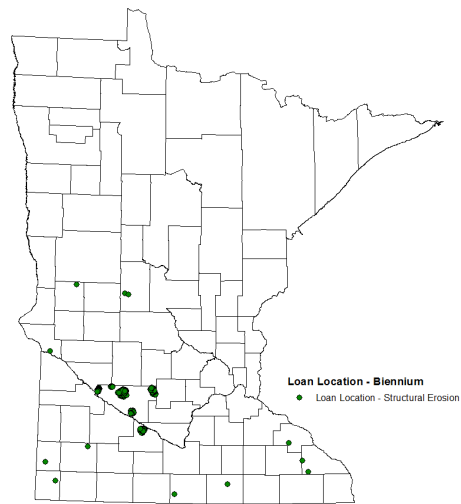


Table 19. Summary of structural erosion control practices loans issued.

Period	Number	Loan Amount	Amount Leveraged
Structural Erosion Control Loans Issued this Biennium	740	\$1,243,134.50	\$329,412.29
Structural Erosion Control Loans Issued All Years	977	\$3,312,404.13	\$2,862,438.39

Table 20. The most frequent types of structural erosion control practices completed during the biennium 2019–20.

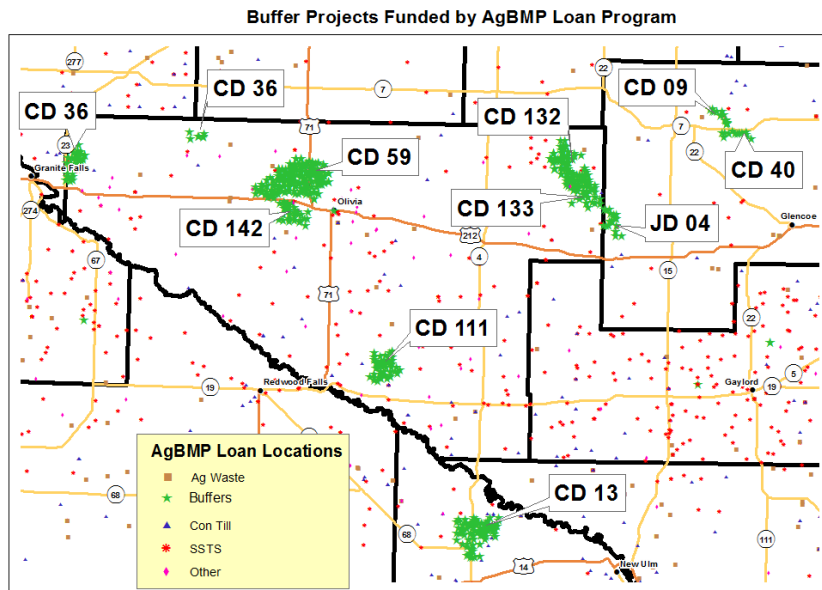
General Practice Description	Number Issued
Buffers and Easements	729
Erosion Stabilization	13
Basins	3
Cover and Alternative Crops	2
Surface Waterways	2
Subsurface Drainage	1
Total	750

**Projects may have multiple practices, so number of practices is not equivalent to number of loans issued.*

During this biennium for the first time, the AgBMP funded easement acquisition for implementation of the state’s buffer law requirements and better control of runoff from fields. The first projects were completed in Renville County with latter projects in Brown and McLeod Counties. Eleven projects to acquire easements along drainage ditch systems have been

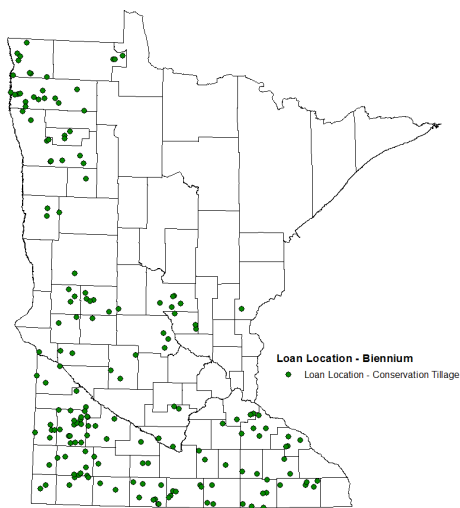
completed. These eleven projects involved 736 landowners financing their assigned share of the cost through an AgBMP loan.

Figure 17. Location of buffer related projects funded during biennium.



Conservation Tillage Practices

Figure 18. Location of loans for conservation tillage projects issued during biennium.



The category of conservation tillage practices has been one of the program's most frequently used with 3,974 practices implemented since 1995, Table 21. During the last biennium there were 197 loans issued. The location of these projects are shown in Figure 18. The average size farm using an AgBMP loan to purchase conservation tillage equipment is 1,340 acres. The majority of the loans were issued to operations that farmed 1500 acres or less; however, loans were issued in all size ranges. The size distribution of farms by size in acres using this program for conservation tillage equipment is summarized in Figure 19.

The equipment funded is generally specialized field tillage, planting, cultivation, or harvest implements (Table 22) that is intended to result in crop residues covering at least 15% of the ground after soybeans and 30% of the ground after corn when measured at planting. The average loan for tillage equipment is \$62,462.49, while the average total cost for this equipment is \$81,826.54.

Table 21. Summary of conservation tillage loans issued.

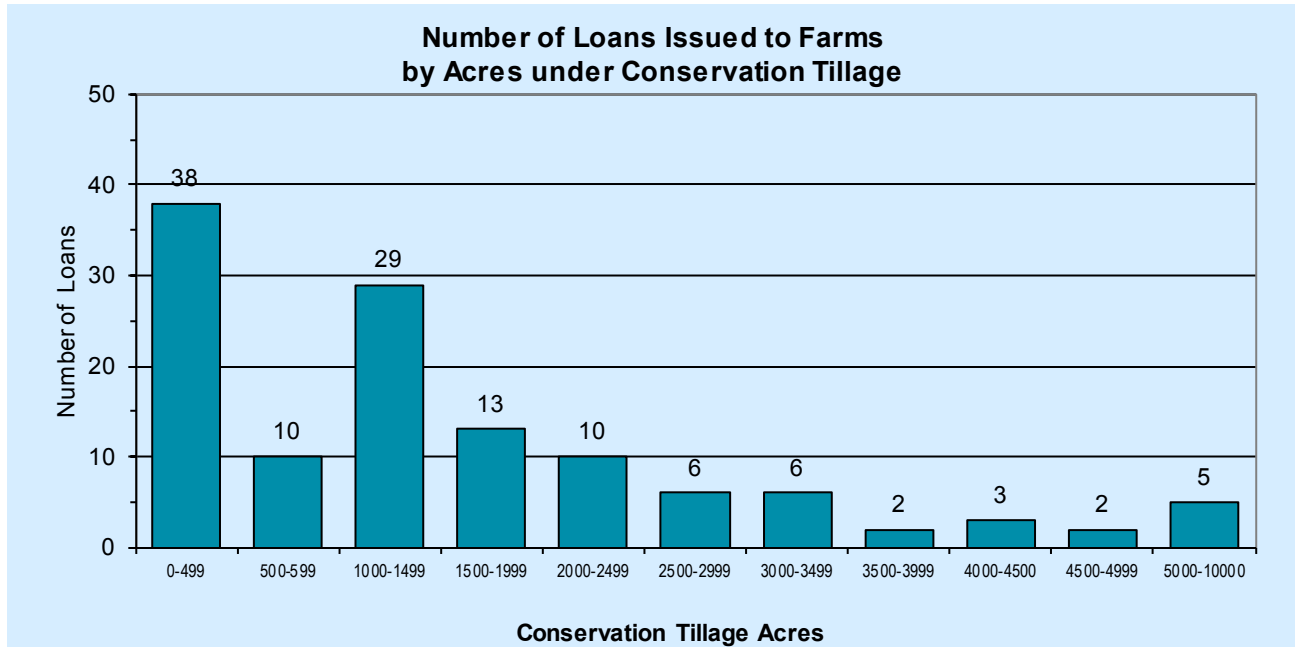
Period	Number	Loan Amount	Amount Leveraged
Conservation Tillage Equipment Loans Issued this Biennium	197	\$12,305,110.84	\$3,814,717.55
Conservation Tillage Equipment Loans Issued All Years	3,974	\$96,998,654.03	\$51,219,571.43

Table 22. Summary of conservation tillage practices completed during the biennium 2019–20.

General Practice Description	Number Issued
General Conservation Tillage Equipment	115
Planter	72
Chopper Head	17
Total	204

**Projects may have multiple practices, so number of practices is not equivalent to number of loans issued.*

Figure 19. Numbers 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 the AgBMP Loan Program has often been the decisive factor that has encouraged many farmers to implement or intensify these practices.

Figure 20. Typical conservation tillage ripper with discs.



Figure 21. Field under conservation tillage practices.



Figure 22. Typical conservation tillage planter.

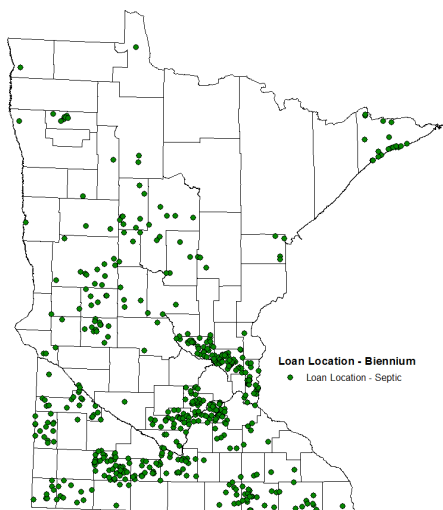


Figure 23. Typical conservation tillage disc.



Septic Systems

Figure 24. Location of loans for septic projects issued during biennium.



To date over 6,835 on-site sewage treatment system projects have been funded through this program, (see Table 24). The number of septic systems loans issued during this biennium was 545, Table 23. Repair of septic systems are the most numerous, single category of projects, contributing 46.0% of all the projects by number. Despite the large number of loans issued, repairing or replacing non-compliant septic systems constitutes only 23.0% of the funds disbursed by the program as a whole because the cost of septic system projects is far less than typical farm practice loans. Eligible projects include upgrades or repairs to on-site systems or connection to cluster septic systems and central sewers (see Table 24).

In 2014, the federal government expanded eligibility of federal SRF funds to include “new” construction or installation of on-site septic systems (sites with no current septic system); however, the program has seen only a few loans identified as new because the system is usually rolled into the loan that covers all construction expenses. Though it is seldom used, financing septic systems for new construction remains eligible when needed.

Table 23. Summary of septic related loans issued

Period	Number	Loan Amount	Amount Leveraged
Septic Systems Loans Issued this Biennium	545	\$8,093,986.61	\$904,806.33
Septic Systems Loans Issued All Years	6,835	\$58,571,485.35	\$5,365,292.19

Table 24. Most frequent septic related practices completed during the biennium.

General Practice Description	Number Issued
Single Connection Systems	513
Multiple Connection Systems	28
Other Septic Related Practices	3
Connections to Central Sewers	1
Total	545

**Projects may have multiple practices, so number of practices is not equivalent to number of loans issued.*

Figure 25. Installation of a typical septic tank and mound drain field, Watonwan County.



Other Projects

The “Other” category includes all practices that are not included in the first four practice categories.

There were 155 “Other” category loans completed this biennium. Table 26 shows a summary of the various types of practices funded under this category during this period. The large increase in activity during this biennium is primarily due to expanded eligibility for wells in 2017.

Figure 26. Location of loans for all other projects issued during biennium.

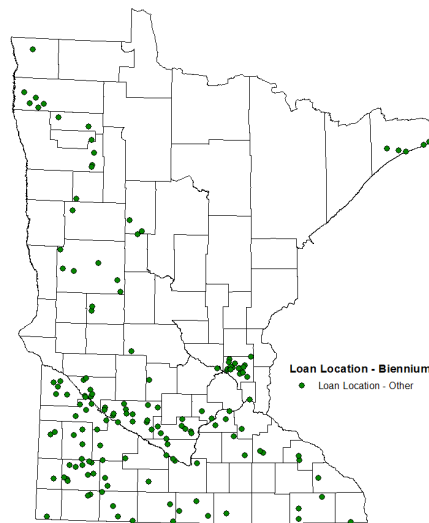


Table 25. Summary of agricultural waste loans issued.

Period	Number	Loan Amount	Amount Leveraged
Other Practices Loans Issued this Biennium	155	\$5,576,139.53	\$903,164.43
Other Practices Loans Issued All Years	386	\$10,571,254.61	\$2,772,545.17

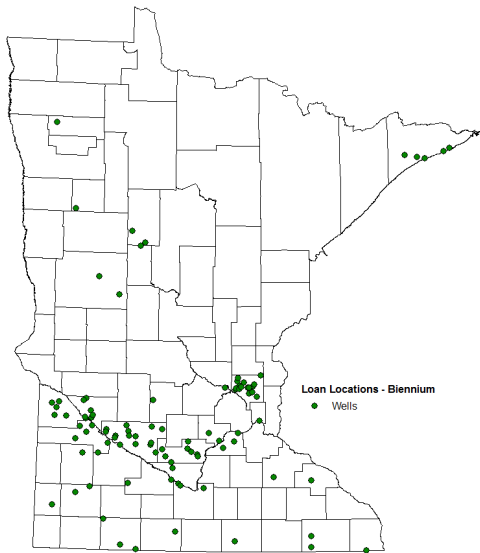
Table 26. Summary of all other practices completed during the biennium.

General Practice Description	Number Issued
Wells	109
Chemical Storage and Use	43
Variable Rate - GPS Technologies	17
Miscellaneous	2
Energy Generation and Conservation	1
Alternative Energy	1
Irrigation	1
Total	174

**Projects may have multiple practices, so number of practices is not equivalent to number of loans issued.*

Wells

Figure 27. Location of loans for well related projects issued during biennium.



As of August 1, 2017, repair, replacement, or treatment of wells used for drinking became an eligible expense. Prior to that time, replacement of wells was only eligible when the project addressed a potential pollution pathway to the groundwater aquifer. The AgBMP Program has funded a total of 244 well related project during the life of the program and 102 during the last biennium.

Figure 28. Nitrogen application tool bar, Rock County.



Figure 29. Typical well drilling installation.



12. STATUS OF REVOLVING ACCOUNTS

New contracts executed under the 2001 legislation establish a revolving account held at the state level by the AgBMP Loan Program (under the MDA) for the participating county. The county does not receive the funds held in their respective account. Instead the funds are held by the MDA and disbursed to participating lender only as costs are incurred by the landowner. Repayments begin one year after the loans are closed. These new contracts will remain valid for as long as counties or lenders choose to participate in the program and until the funds have been fully repaid.

The overall status, capacity, and characteristics of the revolving accounts are summarized in Table 27. As of June 30, 2019, approximately 82% of appropriations were in use at the time of this report as measured by the total outstanding loan balances. The pace of loans (the percentage of funds being issued for new loans) or the “turn-over” rate, for the biennium was 24% while the repayment rate was 28%, suggesting the program is near maximum lending capacity.

Table 27. AgBMP fund account characteristics as of 6/30/2019.

Fund Capacity Characteristic	Amount	%
Total Appropriations	\$76,998,585.67	
Total Loans Issued	\$252,355,988.40	
Total Outstanding Loan Balance	\$63,447,353.46	82%
Total Project Costs	\$380,251,294.49	151%
Total Cash on Hand	\$13,551,232.21	18%
Repayment Revenue During Biennium	\$21,398,960.98	28%
Pace of Loans Issued During Biennium	\$18,336,481.91	24%
Revolving Rate <i>((Total Loans) / (Total Appropriations))</i>		3.28 times
Leveraged Funds from Other Sources <i>((Non-AgBMP Loan funds) / (Total Loans))</i>	\$127,895,306.09	51%%

13. 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 issued \$43.4 million in loans during biennium. Figure 8 (page 20) shows the dramatic rise in loan activity since the 2007 recession and especially during this biennium. The improved national economy, rising conventional interest rates, and regulatory efforts for environmental compliance have fueled this increase. Despite increasing activity, the counties oversee this program with no administrative appropriations from the state. However, to support the counties efforts, 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 paid by funding from the county government and with this program’s simplified approach, counties can 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.

The AgBMP Loan Program expects the annual activity level to continue to increase as the national economy rebounds and conventional interest rates increase.

In our last Biennium Report, our short-term goals were:

- Continuing to draw down the cash balance of the program that grew during the post 2008 recession years.
- Achieving an average annual activity level of \$15 million per year.

Both these goals were achieved.

The goals for the upcoming biennium, FY20-21, are:

- Achieve an average annual activity level of \$19 million per year.
- Encourage program appropriations such that the sustainable lending capacity will meet the annual activity level of LGUs.

14. 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.
- Semi-annual invoices sent out each April and October, including:
 - 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 on their obligations to the AgBMP Loan Program as of 6/30/2019.
- All disbursements issued by the program require written approval by the local county administrator or their designee.
- Requests for disbursements must be signed by a local lender representative and show the amount requested and loan terms.
- 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,
 - the remaining budget available, and

- scheduled repayments.
- Approximately the first of each month, each county receives a newsletter highlighting timely program issues, an update of the overall budget, the total amount disbursed, the total amount remaining, and the total amount recently repaid. (Functional in new system.)
- Each county is required in its annual report to:
 - verify any remaining balance to the current allocation and its intended use,
 - verify the use of all funds during the past calendar year,
 - report any previously unreported loan activity,
 - report the anticipated use of all anticipated repayments and revenues, and
 - estimated unmet needs for next calendar year.
- The program is typically reviewed periodically by the US EPA.

15. LOAN DEFAULTS

The AgBMP Loan Program does not disburse funds directly to borrowers, rather local participating lenders underwrite, issue, service, and guarantee repayment of the loans. They are authorized to charge the borrower up to 3% interest plus their usual and customary fees for their services. Because the lender guarantees the loan, the status of the underlying loans has no impact on the program, therefore the program does not require reporting of the borrower's status.

The AgBMP Loan Program requires participating lenders to provide security for their obligation to the program. Conventional lenders, such as banks and credit unions, guarantee repayment of all funds they receive from the program and pledge their 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 (NCAU) 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, assign special assessments against the properties receiving the benefit, or can provide an assigned cash account or security equal to 20% of the balance due, up to \$25,000.

No lenders have defaulted on their obligations to the AgBMP Loan Program.

16. COST OF PROGRAM ADMINISTRATION

Federal regulations limit 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 General Fund and Clean Water Fund legislative appropriations to the MDA. During the current biennium, the MDA's total administrative cost for the program was approximately \$480,760.23

The administrative costs are pro-rated between General Fund appropriations and the Clean Water Fund appropriations based on the number of loans issued from the Clean Water Fund as compared to all other funding sources. The actual ratio observed in the prior fiscal year is calculated at the close of the fiscal year and is applied the next fiscal year. The program does not adjust the prior year's assigned ratio after the close of the current fiscal year. 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, technical assistance, and other fees authorized by statute.

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 28. These measures include booking and servicing each loan request, such as disbursement to lenders, semi-annual billing to lenders, annual account verification, monthly status reports, assistance to counties and all other direct program accounting. The average administrative cost for the for all loans issued during the last biennium was \$ 253.97 per loan (the previous biennium was \$521.22) or \$ 11.08 per \$1,000 of new loan issued. These pro-rated costs have declined this biennium because administrative expense is stable, while loan volume has increased during this biennium.

Table 28. Costs for administration of the AgBMP Loan Program by the MDA.

Biennium	Administrative Costs	Loans Issued	Total \$ Issued	Cost Per Loan	Costs Per \$1000
2019–20	\$480,760.23	1,893	\$43,371,521.84	\$ 253.97	\$ 11.08

**Administrative expenses include in this calculation are: 2 FTE program staff, 0.1 FTE supervisory staff, communications, technology, work space cost allocation, motor pool usage, and program county training expenses.*

17. PARTICIPATING LENDERS

The AgBMP Loan Program has over 250 participating lenders, plus local branch office located in nearly all counties of the state. However, regardless of the location of a lender, any lender may provide services in any county, at their discretion, Figure 30.

In recent years, more local governments, usually counties, have been joining the lending network. All rural landowners need a functional septic system but obtaining financing for them is often difficult because they are expensive to install (typically ranging from \$12,000 to \$30,000) and typically add little value to a home.

Figure 30. Location of participating AgBMP lenders.

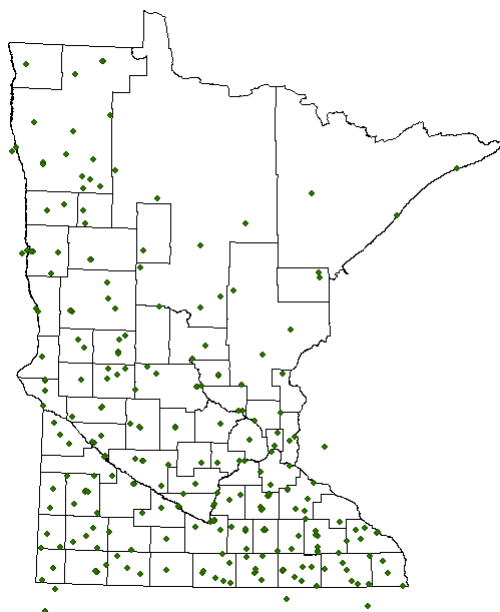
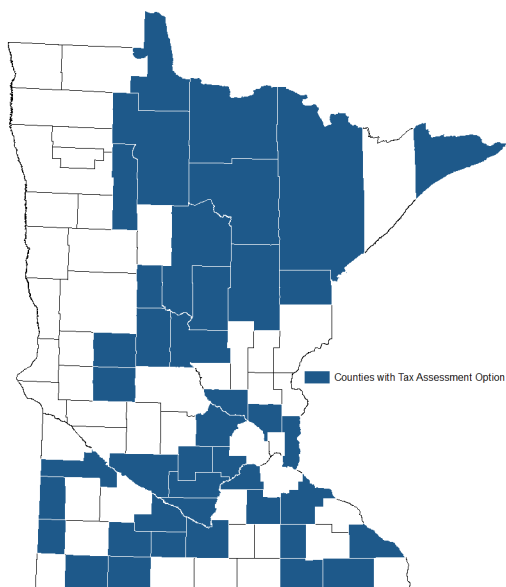


Figure 31. Counties where participating lenders secure loans with special assessments.



Conventional lenders have expressed hesitance to finance septic projects because they are difficult to secure collateral since there is nothing to repossess, they hold a second position mortgage, or there is inadequate equity in the property.

However, the AgBMP Loan Program includes the option for local governments with taxing authority to act as lenders. Currently more than 40 counties have established this type of system for their landowners, Figure 31. Some counties have established procedures to encourage borrowers to approach the local lending institutions first but will step up to fulfill the lender role when dealing with septic systems as a service to their constituents, a public health issue, and protection of the environment.

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

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

APPENDIX A. TOTAL ALLOCATIONS TO COUNTIES BY AGBMP LOAN PROGRAM

LGU Name	Current Allocation	Total Loan Amount since Start	Loans During Biennium	Outstanding Loan Balance	Repayments during Biennium	Times Revolved	Cash Flow Ratio
Aitkin Cty	\$200,000.00	\$400,642.00	\$34,500.00	\$152,967.00	\$72,949.00	2.	47.0%
Anoka Cty	\$1,900,000.00	\$2,347,520.89	\$963,885.36	\$1,065,027.21	\$924,088.87	1.24	104.0%
Becker SWCD	\$303,000.00	\$1,481,355.08	\$175,187.00	\$256,007.18	\$96,193.03	4.89	182.0%
Benton SWCD	\$918,766.79	\$2,067,799.72	\$610,598.50	\$919,673.11	\$126,770.00	2.25	482.0%
Big Stone Cty	\$200,000.00	\$630,597.68	\$103,164.91	\$110,744.91	\$151,277.66	3.15	68.0%
Blue Earth SWCD	\$900,000.00	\$2,226,626.73	\$358,795.04	\$673,630.42	\$206,728.78	2.47	174.0%
Brown Cty	\$700,000.00	\$2,401,338.33	\$507,276.24	\$718,429.24	\$119,610.00	3.43	424.0%
Carlton SWCD	\$200,000.00	\$425,847.21	\$12,000.00	\$77,459.21	\$64,262.00	2.13	19.0%
Carver Env Cty	\$850,000.00	\$2,502,408.11	\$324,304.92	\$601,968.49	\$318,078.08	2.94	102.0%
Carver SWCD	\$300,000.00	\$1,651,625.26	\$38,750.00	\$222,099.47	\$7,074.00	5.51	548.0%
Chippewa Cty	\$350,000.00	\$669,682.28	\$147,817.66	\$218,917.87	\$76,231.38	1.91	194.0%
Chisago SWCD	\$100,000.00	\$19,745.00	\$12,600.00	\$5,751.00	\$4,758.00	.2	265.0%
Clay SWCD	\$550,000.00	\$1,201,824.12	\$336,250.00	\$410,925.00	\$92,787.00	2.19	362.0%
Cook Cty	\$1,400,000.00	\$2,473,557.37	\$605,959.88	\$1,174,701.75	\$356,373.57	1.77	170.0%
Cottonwood SWCD	\$1,700,000.00	\$4,496,455.68	\$996,720.62	\$1,469,361.99	\$370,273.76	2.64	269.0%
Dakota SWCD	\$500,000.00	\$1,724,995.66	\$334,006.00	\$303,790.08	\$124,495.54	3.45	268.0%
Dodge Cty	\$529,638.65	\$2,162,595.62	\$492,711.05	\$669,613.08	\$77,617.40	4.08	635.0%
Douglas SWCD	\$1,300,000.00	\$2,056,578.77	\$1,184,022.00	\$1,147,733.11	\$84,531.38	1.58	1401.0%
Eastcentral JPO	\$303,000.00	\$2,399,297.19	\$129,955.00	\$285,635.65	\$105,018.88	7.92	124.0%
Faribault Cty	\$1,675,000.00	\$3,695,805.80	\$925,968.57	\$1,300,012.40	\$287,713.75	2.21	322.0%
Fillmore SWCD	\$2,500,000.00	\$7,448,417.04	\$1,124,304.20	\$1,984,387.31	\$975,051.95	2.98	115.0%
Freeborn Cty	\$1,200,000.00	\$3,948,617.31	\$820,766.14	\$875,157.72	\$237,673.01	3.29	345.0%
Goodhue Cty	\$1,500,000.00	\$6,020,998.78	\$941,516.77	\$1,285,123.28	\$902,370.24	4.01	104.0%
Grant SWCD	\$650,000.00	\$1,519,314.30	\$211,305.30	\$368,561.30	\$215,934.00	2.34	98.0%
Hennepin Cty	\$126,000.00	\$227,400.00	\$0.00	\$44,161.00	\$23,939.00	1.8	
Houston Cty	\$700,000.00	\$1,792,624.29	\$611,064.97	\$646,805.44	\$273,158.63	2.56	224.0%
Hubbard Cty	\$350,000.00	\$830,187.47	\$95,921.45	\$186,936.29	\$82,878.54	2.37	116.0%
Jackson Cty	\$800,000.00	\$2,735,142.45	\$664,682.31	\$758,629.46	\$142,673.67	3.42	466.0%
Kandiyohi SWCD	\$750,000.00	\$1,627,502.30	\$260,900.00	\$545,023.00	\$212,732.00	2.17	123.0%
Kittson Cty	\$1,100,000.00	\$3,046,386.47	\$1,015,920.66	\$1,067,625.41	\$187,409.00	2.77	542.0%
Lac qui Parle SWCD	\$700,000.00	\$1,701,746.44	\$453,307.40	\$622,822.07	\$219,809.87	2.43	206.0%
Le Sueur SWCD	\$350,000.00	\$1,583,281.41	\$0.00	\$197,104.49	\$102,639.07	4.52	
Lincoln Cty	\$1,800,000.00	\$4,075,169.55	\$1,029,377.43	\$1,539,239.66	\$360,391.01	2.26	286.0%
Lyon SWCD	\$3,850,000.00	\$7,430,029.11	\$3,667,492.18	\$3,635,387.04	\$981,359.76	1.93	374.0%
Mahnomen SWCD	\$290,050.72	\$363,024.72	\$42,000.00	\$174,825.19	\$52,179.00	1.25	80.0%
Martin Cty	\$1,500,000.00	\$2,631,641.96	\$1,223,219.50	\$1,169,091.02	\$279,966.52	1.75	437.0%
McLeod SWCD	\$300,000.00	\$304,184.00	\$53,500.00	\$66,170.00	\$19,067.00	1.01	281.0%
Meeker SWCD	\$155,000.00	\$499,163.29	\$134,460.50	\$135,932.50	\$105,814.87	3.22	127.0%
Morrison SWCD	\$800,000.00	\$1,802,912.42	\$587,417.80	\$716,653.07	\$164,853.00	2.25	356.0%
Mower Cty PZ	\$1,150,000.00	\$1,958,017.24	\$0.00	\$784,898.31	\$361,236.80	1.7	
Mower SWCD	\$1,458,000.00	\$6,077,018.43	\$1,058,352.14	\$1,536,173.94	\$597,967.51	4.17	177.0%
Murray Cty	\$2,800,000.00	\$6,560,688.45	\$2,198,698.65	\$2,851,087.88	\$885,714.64	2.34	248.0%

LGU Name	Current Allocation	Total Loan Amount since Start	Loans During Biennium	Outstanding Loan Balance	Repayments during Biennium	Times Revolved	Cash Flow Ratio
Nicollet Cty	\$400,000.00	\$1,409,300.53	\$237,108.62	\$254,341.74	\$176,726.37	3.52	134.0%
Nobles Cty	\$2,000,000.00	\$5,058,027.26	\$893,331.13	\$1,773,855.22	\$699,316.65	2.53	128.0%
Norman SWCD	\$250,000.00	\$511,068.00	\$0.00	\$195,620.00	\$103,350.00	2.04	
Northcentral JPO	\$650,000.00	\$2,168,726.07	\$280,429.64	\$517,759.41	\$247,490.08	3.34	113.0%
Northeast JPO	\$100,000.00	\$317,665.25	\$25,510.00	\$44,644.00	\$18,817.75	3.18	136.0%
Northwest JPO	\$3,950,000.00	\$12,607,246.20	\$3,538,053.50	\$3,680,727.74	\$1,236,447.13	3.19	286.0%
Olmsted SWCD	\$350,000.00	\$1,691,395.62	\$78,030.00	\$171,078.28	\$144,718.00	4.83	54.0%
Ottertail SWCD	\$1,050,000.00	\$1,621,796.27	\$995,676.37	\$962,599.11	\$83,238.88	1.54	1196.0%
Pipestone Cty	\$1,700,000.00	\$4,381,953.59	\$1,096,914.43	\$1,728,573.88	\$614,095.96	2.58	179.0%
Pope Cty	\$950,000.00	\$1,842,348.61	\$233,712.63	\$673,743.41	\$273,724.69	1.94	85.0%
Redwood SWCD	\$1,050,000.00	\$2,151,513.85	\$746,397.00	\$935,260.04	\$397,583.40	2.05	188.0%
Renville Cty	\$3,200,000.00	\$2,780,218.68	\$1,375,079.88	\$1,652,900.25	\$229,827.90	.87	598.0%
Rice Cty	\$500,000.00	\$943,060.74	\$140,230.00	\$327,523.16	\$272,230.58	1.89	52.0%
Rice SWCD	\$300,000.00	\$1,444,700.55	\$41,775.00	\$60,950.00	\$38,380.00	4.82	109.0%
Rock SWCD	\$3,150,000.00	\$5,893,315.90	\$1,570,463.00	\$2,414,629.99	\$1,345,820.78	1.87	117.0%
Saint Louis Cty	\$400,000.00	\$718,547.00	\$0.00	\$233,875.00	\$137,125.00	1.8	
Scott Cty	\$1,300,000.00	\$2,666,540.57	\$751,009.01	\$1,128,745.14	\$354,437.88	2.05	212.0%
Sherburne Cty	\$500,000.00	\$603,751.83	\$346,619.50	\$340,896.19	\$25,147.00	1.21	1378.0%
Sibley Cty	\$1,600,000.00	\$2,791,940.83	\$773,984.12	\$1,331,328.83	\$395,118.49	1.74	196.0%
Stearns SWCD	\$1,800,000.00	\$4,814,488.52	\$3,061,545.56	\$3,110,632.58	\$353,673.48	2.67	866.0%
Steele Cty	\$700,000.00	\$1,796,874.81	\$452,193.75	\$498,655.81	\$113,632.57	2.57	398.0%
Stevens Cty	\$750,000.00	\$1,443,682.05	\$480,596.11	\$513,727.22	\$136,576.26	1.92	352.0%
Swift SWCD	\$400,000.00	\$977,188.56	\$105,000.00	\$178,123.00	\$93,749.65	2.44	112.0%
Todd Cty	\$1,552,000.00	\$4,321,825.57	\$2,344,866.22	\$2,338,089.35	\$464,446.70	2.78	505.0%
Traverse SWCD	\$800,000.00	\$1,514,594.61	\$412,290.00	\$565,407.61	\$98,513.00	1.89	419.0%
Wabasha SWCD	\$1,100,000.00	\$2,965,413.88	\$182,854.75	\$686,751.15	\$248,837.00	2.7	73.0%
Waseca Cty	\$800,000.00	\$3,400,998.49	\$213,975.00	\$551,995.19	\$302,028.66	4.25	71.0%
Washington SWCD	\$1,150,000.00	\$1,571,236.28	\$506,958.59	\$777,038.73	\$291,287.22	1.37	174.0%
Watonwan Cty	\$1,450,000.00	\$3,823,331.41	\$780,029.87	\$1,144,328.58	\$413,459.33	2.64	189.0%
WCM JPB	\$0.00	\$1,235,413.41	\$0.00	\$0.00	\$0.00		
Wilkin Cty	\$125,859.11	\$628,163.49	\$0.00	\$2,962.00	\$14,108.00	4.99	
Winona SWCD	\$1,550,000.00	\$4,133,653.46	\$623,825.87	\$1,383,529.30	\$622,686.42	2.67	100.0%
Wright SWCD	\$300,000.00	\$1,167,764.69	\$78,809.25	\$221,566.04	\$58,313.18	3.89	135.0%
Yellow Med Cty	\$1,250,000.00	\$2,386,344.01	\$615,796.41	\$956,924.39	\$342,401.80	1.91	180.0%

Current Allocation: Current total of all AgBMP Loan Program funds available to county including cash on hand and outstanding loan balances.

Loan Amount: Sum of all loans issued by the county since program start.

Outstanding Loan Balance: This is the remaining balance owed on active loans.

Average Annual Repayments: This is the annual average total repayments a county has received from participating lenders during the biennium. This value can be used as a short-term estimate of future anticipated repayments.

Revolving Ratio: A measure of how many times the funds have been used as calculated by $((Total\ Loan\ Amount) / (Current\ Allocation))$. The greater the number the more times the funds have been used or revolved, for example 1.0% means all funds have been used once, 2.0% means the funds have been used twice. This indicator will rise over time as funds are being reused multiple times but will fall when new appropriations are added.

Leverage Ratio: The percentage of funds for a project that comes from sources other than the AgBMP Loan Program, for example a value near 0% means the AgBMP Loan Program provided financing for most of the project cost. A value near 50% means the AgBMP Loan Program provided half of the funding.

Cash Flow Ratio: The ratio of the loans for the biennium to the repayments for the biennium. When this number is large, loans issued far exceeded repayments received and these counties may be prioritized for increased allocations. When this value is small, repayments exceeded loans issued and these counties may be asked to release funds back to the statewide pool. Values near 100% represent a balance between loans issued and repayments received:

$$((Biennium\ Loan\ Amount) / (Biennium\ Repayments))$$

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APPENDIX B. EXAMPLE PRACTICES ELIGIBLE FOR FUNDING BY PROGRAM

Ag Waste Management

BEDDING MANAGEMENT
BUFFER STRIP - FEEDLOTS
CLEAN WATER DIVERSIONS - FEEDLOTS
COMPOSTING
DIET MANAGEMENT AND CONTROL
FEEDLOT IMPROVEMENTS
LIVESTOCK PADDOCKS
LIVESTOCK EXCLUSIONS
MANURE HANDLING, LOADING, and
SPREADING EQUIPMENT
MILKHOUSE WASTE
NUTRIENT MANAGEMENT PLANS
ODOR CONTROL - AG WASTE
STORAGE - SLURRYSTORE
STORAGE - STACKING PAD
STORAGE BASIN
STORAGE BASIN ABANDONMENT
WATER CONSERVATION OR REUSE

Structural Erosion Control

BUFFER STRIP - NON-FEEDLOTS
CLEAN WATER DIVERSIONS - NON-
FEEDLOTS
EASEMENTS
EROSION CONTROL - GENERAL
IN-CHANNEL PRACTICES
SEDIMENT and WATER CONTROL BASINS
SEEDING CRITICAL AREAS
SOIL STABILIZATION PRACTICES
TERRACES
TILE INLET and OUTLET PRACTICES
WATERWAYS
WINDBREAKS

Conservation Tillage Equipment

CONSERVATION TILLAGE EQUIPMENT
PLANTER
TILLAGE
CHOPPER

Septic Systems

PRIVY AND TANKS
SEPTIC SYSTEMS
SINGLE CONNECTION
MULTIPLE CONNECTIONS
CONNECTION OR REPAIR TO CENTRAL
SEWER
PUMPING AND APPLICATION EQUIPMENT

Other Practices

ALTERNATIVE CROPS and GROUND
COVER
ALTERNATIVE ENERGY - 25%
CHEMICAL APPLICATION SYSTEM
CHEMICAL CONTAINMENT
IRRIGATION CONTROLS
CONNECTION TO CENTRAL WATER
FLOODPLAIN PROTECTION &
CONNECTIONS
IRRIGATION MANAGEMENT
MARINA NONPOINT CONTROL PRACTICE
MINING AND EXTRACTION
RING DIKE
SILVICULTURAL PRACTICE
TIMBERSTAND IMPROVEMENT
URBAN NONPOINT CONTROL PRACTICE
VARIABLE RATE TECHNOLOGIES AND
GPS
WELLS
REPAIR and REPLACEMENT
FILTRATION and TREATMENT
SEALING
WETLAND RESTORATION & PROTECTION

APPENDIX C. GLOSSARY OF TERMS AND ACRONYMS

Ag BMP: Agricultural Best Management Practices. These are 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, the PFA, or any other source to the MDA.

BMP: Best Management Practices. A broad range of practices, techniques, and measures, that prevents or reduces pollution by using the most effective and practicable means of achieving water and air quality goals. These practices include official controls, structural and nonstructural controls, and operation and maintenance procedures. Agricultural Best Management Practices are a subset of this group.

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. 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.