



Agricultural Best Management Loan Program

Fiscal Year 2021 Legislative Report

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Purpose of AgBMP Loan Program

The purpose of the Minnesota Department of Agriculture's (MDA) 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, 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.

Summary

The following is a review of the AgBMP Loan Program as requested according the 2021 Special Session - MN Chapter 3, H.F. No. 8 Sec. 2 Subd. 5 (g). The MDA's AgBMP Loan Program was appropriated \$1,437,000 the first year and \$1,437,000 the second year with base appropriation in fiscal year 2024 and thereafter of \$1,425,000. The purpose is to expand assistance through the agricultural and environmental revolving loan account, referred to as the AgBMP Loan Program, established under MINN. STAT. 17.117, subdivision 5a, for low-interest loans. The commissioner is required to examine how the MDA could use up to one-third of the amount transferred to the revolving loan account under this paragraph to award grants to rural landowners to replace septic systems that inadequately protect groundwater.

The AgBMP Loan Program provides low interest loans through local governments and financial institutions with interest rates ranging from 0% to 3%. Local Government Units acting as a lender through this Program have offered some loans as low as 0% interest in the past to offer additional savings to their residents within their counties as they choose.

There are counties within Minnesota that have also chosen to use their own funding to create their own loan program to offer their residents additional funding options to allow more projects to be completed than what current AgBMP funding allows. The 2021 AgBMP Loan Program Biennium Report shows that since the AgBMP Loan Program started we have completed 7,261 loans for sewage treatment systems. In the last biennium, Local Government Unit funding requests exceeded the AgBMP Loan Programs available funding by more than 30 million dollars for additional projects or practices.

The AgBMP Loan Program is structured only to handle revolving loans. Establishing a grant program would require a significant capital investment. The Commissioner has determined that since there are already several existing grant programs currently available for septic systems within state government, it is more appropriate to not create a new program.

Some of the current available septic grant programs that exist as options to assist residents of Minnesota are:

- Minnesota Pollution Control Agency (MPCA) - Septic System Upgrade Grant program
- Board of Water and Soil Resources (BWSR) - BWSR Septic Treatment System Grant program
- Board of Water and Soil Resources (BWSR) – Clean Water Competitive Grant
- United State Department of Agriculture (USDA) – Rural Development Grant for septic systems