



# Funding Agricultural Best Management Practices with the Clean Water State Revolving Fund



The U.S. Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF) program is the largest public source of water quality financing in the country. The funding flexibility inherent in CWSRF programs allows states to address their unique water quality priorities.

U.S. farmers, who farm over 900 million acres of agricultural land, depend on their water quality to be clean and reliable for livestock, crops, and irrigation. To date, the CWSRF has funded over \$700 million in agricultural best management practices (BMPs), such as feedlot runoff control, manure management, and conservation tillage and erosion control. These practices have improved the quality of water for farmers and well as rural landowners. Many of these projects are eligible for assistance because they implement state Clean Water Act Section 319 nonpoint source (NPS) management programs.

## HOW THE CWSRF WORKS

The CWSRF was created to provide reduced-rate loan funding for water quality projects of all kinds, including agricultural BMPs. CWSRF programs in each state and Puerto Rico operate like banks. Federal and state contributions are used to capitalize the programs. These assets are used to make low interest loans for important water quality projects. Funds are then repaid to the CWSRFs and are recycled to fund other water quality and public health projects.

## GETTING A PROJECT FUNDED

Since the CWSRF program is managed by the states, project funding varies according to the priorities, policies, and laws within each state. Those interested in learning more about CWSRF funding opportunities should seek out the CWSRF program in their state and participate in the process that determines which projects are funded. The list of CWSRF state programs can be found on our website at: <https://www.epa.gov/cwsrf>

## CWSRF ASSISTANCE FOR AGRICULTURAL BMPs

The CWSRFs can offer many types of financial assistance to fund agricultural BMP projects. While direct lending is one option, many states have successfully used other sources of funding such as linked-deposit loans and pass-through loans. In these types of arrangements, the loans are passed through state agencies, municipalities, or local banks and the financial risk and management responsibilities of the loan are placed with the program partners. Other types of available financial assistance used to fund agricultural BMPs are co-financing, guarantees, and sponsorship lending. For more information on CWSRF assistance for agricultural BMPs, please reference our paper on "Financing Options for Nontraditional Eligibilities in the Clean Water State Revolving Fund Programs," which can be found on our website.

## ELIGIBLE PROJECTS

The CWSRF can fund a wide range of agricultural BMP activities that address runoff and erosion from agricultural cropland and animal feeding operations (AFOs), including:

- Cropland activities such as the installation of manure injection equipment, water efficient irrigation equipment, conservation tillage equipment, and sediment control basins.
- Chemical use reduction, such as chemical spray equipment and chemical storage containment structures.
- AFO activities such as the installation of livestock/milk house waste management systems, manure containment structures, and injection equipment.
- Well sealing and water diversions to avoid feedlots.

BMP activities at concentrated animal feeding operations (CAFOs) are not eligible for CWSRF assistance unless they

implement a National Estuary Comprehensive Conservation Program. BMPs that treat or make beneficial use of manure are eligible.

## MARYLAND & VIRGINIA FARM CREDIT BANKS

Farm credit banks are a group of nationwide commercial lending institutions that specialize in providing services to farmers and rural communities at competitive rates. Maryland and Virginia have both established agreements with several farm credit banks throughout their respective States to help meet a farmer's financing needs to implement agricultural BMPs. Maryland's agreements are very similar to a linked-deposit program. In Virginia, the state inspects the projects and approves the invoices before they are paid. Farm credit banks are ideal partners for the CWSRF because they are uniquely qualified to directly market to farmers. A CWSRF loan can provide the working capital the farmer needs to finance the construction cost of an entire project, not just the cost-share portion under a United States Department of Agriculture (USDA) grant. Invoices are usually paid within three days of submitting an invoice. After the project is built, the farmer receives the USDA grant reimbursement, usually several months after construction, and uses the grant funds to pay down the CWSRF loan. Repayment periods for the remaining loan balance, which represents the farmer's cost-share, are typically 7 to 10 years.

## CLEAN WATER SUCCESS STORIES

### *The Minnesota Ag BMP Loan Program & Rock County*

In 1995, Minnesota began what is now known as a widely successful agricultural BMP (Ag BMP) loan program that has successfully provided assistance for NPS pollution control practices to farmers, agriculture supply businesses, rural landowners, and water quality cooperatives. The program uses both federal CWSRF funds combined with state and local funds. Even though these projects are usually modest in size and cost an average of only \$25,000 per project, they have the cooperation of 87 counties within the state and more than 250 lenders. This collaboration has resulted in \$220 million in loans and 13,000 projects over the life of the program.

The Ag BMP loan program provides funds to all counties in Minnesota, but the Rock County Land Management Office is recognized as one of the most effective government



Leuthold Farm Alley between South Feedlot to settling area units in managing their Ag BMP program. Rock County was the first county to process a loan in this program, where they have funded over 400 loans totaling \$7.9 million in CWSRF funds. While their program uses both CWSRF funds and state funding, they also leverage close to 30% more from other financing sources that help to reduce the financial burdens for the borrower, thus making their Ag BMP program even more affordable.

One example that demonstrates Rock County's ability to fund multiple Ag BMPs over several years was a series of loans with the Leuthold Farm to address high nitrates in local wells. Leuthold has a beef production facility with a current population of 926 animal. In 1998, nitrates exceeded 70 ppm in wells nearby the facility. Between 2000 and 2016, the landowner was approved for loans to implement reconstruction of the stockyard, stack slabs, retaining walls, scrape aprons, diversions, and an onsite septic system. Upon completion, nitrate concentration fell back below drinking water standards. The loan amount for all practices financed with Ag BMP loans was \$149,000, with about \$107,000 of those funds from the CWSRF.

For more information about the CWSRF please contact us at:

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