

North Dakota Livestock Waste Management System SRF Loan Program (5/2011)

I. Introduction

Environmental impacts associated with livestock waste have gained increasingly more public attention over the past few years. This is evidenced by the initiation of a number of local, state, and federal programs designed to minimize or prevent water quality impacts associated with livestock waste. Through these programs livestock producers can obtain technical and financial assistance to address waste management within their feeding areas. The assistance offered by the programs is typically focused on designing waste management facilities and/or cost sharing best management practices (BMP) such as water diversions, storage ponds, and solids separators.

Despite the availability of cost share assistance, the installation of some waste management systems may be delayed or prevented due to financial limitations of the livestock producer. Typically, the producer match requirements of the cost-share programs are the main limiting factor. For some larger systems in particular, the match requirements could significantly increase annual farm or ranch operating costs for several production years. As a result, decisions to install a system will generally be based on the short term economic impacts related to construction with minimal consideration given to long term environmental and/or management benefits gained by installing the waste management system.

To help address the potential short term financial limitations, the ND Livestock Waste Management System SRF Loan Program can provide low interest loans to livestock producers to design and/or install a waste management system. Through the program, State Revolving Loan Funds (SRF) will be available to finance producer cost-share match requirements or the total costs of an approved system. Eligible facilities include small or medium Animal Feeding Operations (AFO) that will require renovation or relocation to fully address surface and/or ground water impacts. New facilities or facilities that are defined as a Large Concentrated Animal Feeding Operation (Large CAFO) will not be eligible. Costs associated with the expansion of existing facilities will also be ineligible for support through the loan program.

Small or medium AFOs are defined as facilities where livestock are or will be confined for 45 days or more during any 12-month period and the normal vegetation (grass or crops) within the feeding area is not sustained during the growing season. A Large CAFO is defined as a facility that has animal numbers that are equal to or exceed any of the following numbers per species:

<u>Animal Type</u>	<u>Minimum Number of Animals</u>
Cattle (other than mature dairy cows and veal calves)	1000
Mature Dairy Cows	700
Swine (> 55 lbs.)	2,500
Swine (< 55 lbs.)	10,000
Turkeys	55,000
Horses	500
Sheep or Lambs	10,000

Loans approved under the program will be administered cooperatively by the North Dakota Department of Health (NDDH), Bank of North Dakota (BND), and the ND Public Finance Authority. Application for a loan can be accomplished through a local lender.

II. Program Purpose

The primary purpose of the ND Livestock Waste Management System Loan Program is to reduce and/or prevent water quality impacts associated with livestock waste by providing low interest financial assistance to livestock producers installing waste management facilities.

III. Requirements and Eligibility

A. General Requirements: The approval process will consider such factors as the location and size of the system; maximum number of animals; system design/layout; construction completion date; waste utilization plans; operation/maintenance plans; and types of proposed best management practices.

B. Eligible Applicants: Individual livestock producers who own a livestock feeding area that may require an improved waste management system are eligible to apply.

C. Eligible Systems: Eligible facilities will be limited to medium or small AFOs installing a waste management system that fully complies with all state and federal rules and regulations. Most practices (e.g., clean water diversions, storage ponds, etc.) required under an approved system design will be eligible for loan assistance. *[Note: If a relocation is required, costs related to the replacement or relocation of necessary buildings will be evaluated on a case-by-case basis to determine eligibility.]*

D. Ineligible Systems: Waste management systems installed for a new site and/or for a Large CAFO will not be eligible. Costs associated with the expansion of an existing system will also be ineligible. As a third group, regardless of size, any waste management system will be considered ineligible for loan assistance if it was installed more than six months before the loan application is received by the NDDH

E. System Design and Loan Approval: Engineering designs and required plans for the proposed waste management system must be approved by the NDDH before a loan can be issued. The BND and local lender will be responsible for the loan approvals for the eligible systems. Information on the loan approval process and required documentation can be obtained from the NDDH or BND.

F. Management Requirements: A nutrient management plan and operation and maintenance plan must be developed for the waste management system. These plans must identify specific measures that will be implemented to ensure long term compliance with the NDDH permit for the facility. Each of these plans must be approved by the NDDH.

IV. Loan Application and Approval Process

Application for a loan can be initiated through a local lending institution at any time. Livestock producers interested in applying for a waste management system SRF loan can obtain the appropriate application form(s) from a local lender or the Bank of North Dakota. The completed loan applications must be submitted to the local lender and BND for review and processing. The BND will also forward the loan application to the NDDH to determine eligibility of the system and compliance with applicable state and federal regulations. A copy of the SRF loan application form is attached.

To ensure eligibility for a SRF loan, the applicant must obtain an “Approval to Operate” from the NDDH for the waste management system. The request for the Approval to Operate must be submitted to the NDDH before the loan application is submitted to the BND. Specific information needed to request an Approval to Operate can be obtained from the NDDH. The status of the request for an Approval to Operate will be considered when determining an applicant’s eligibility for a SRF loan.

V. Loan Allocation Terms

A. Application Review/Approval: All applications will be reviewed by personnel from the BND and NDDH. Components of the application associated with the applicant’s financial situation will be reviewed on their own merit and must comply with the terms and conditions set by the local lender and BND. The portions of the application dealing with system design/construction, operation and maintenance, regulatory compliance, and nutrient management will be reviewed by NDDH personnel. Prior to the commitment of the loan, all components of the application must be approved by the NDDH and BND.

B. Interest Rate: The interest rate for a loan shall not exceed the rates set by the ND Public Finance Authority by more than 2.5 percent.

C. Loan Protection: Adequate collateral protection must be provided.

D. Loan Term: The term of a loan for the purchase of materials and/or services for the design or construction of an approved waste management system shall not exceed ten years.

E. Limitations: Issuance of any loan will be subject to the availability of funds. The total SRF loan shall not exceed \$100,000 per borrower.

VI. Loan Disbursement

A. Eligible Costs: Loans can be used to finance the total costs of a system or the producer match requirements associated with a cost-share program (e.g., USDA, Section 319). Loan amounts cannot exceed the actual total costs or the applicants matching fund responsibilities (which ever is

applicable). Documentation (e.g., invoices, receipts, bid agreements, etc.) of the actual total costs; total federal cost share payments; and total match required for the costs share payments must be provided to the local lender prior to SRF loan funding.

B. Credit Determination: Prior to the approval of a loan, the applicant will be required to provide specific financial information to the lender. The lender will be responsible for the determination of the credit worthiness of each applicant.

VII. Loan Repayment

A. Amount & Schedule: The borrower shall make repayments in the amounts and on the dates set by the lender.

B. Lender/BND Responsibilities: The lender will be responsible for the collection of borrower payments and repayment of the loan to the BND. The BND will be responsible for repaying the loans to the SRF or ND Public Finance Authority.

VIII. Maintenance of Effort Agreement

A. Operation & Maintenance Responsibilities: All systems financed through the program must be operated and maintained in accordance with requirements described in the NDDH Approval to Operate for the facility.

B. Compliance Reviews: Proper maintenance and operation of the system will be determined through periodic compliance checks. The North Dakota Department of Health will be responsible for the verification of compliance with the operation and maintenance requirements.

**NORTH DAKOTA LIVESTOCK WASTE MANAGEMENT SYSTEM SRF LOAN
PROGRAM APPLICATION**

3) Has the manure management system been fully constructed?

Yes _____ Date Completed _____ No _____ Planned Completion Date _____

Type and Number of Livestock

Indicate the type and number of all livestock to be fed and/or housed within the manure management system. Also provide an estimate on the time period and maximum number of days each livestock type will be fed/housed in the system during any 12-month period.

Livestock Type	Maximum number of each livestock type on site		Maximum number of days per year livestock are fed or housed at the site	
	Before Construction	After Construction	Total Number of Days	General Time Period each Year

System Costs and Assistance Request

1) Total costs of the system: \$_____ *NOTE: Attach a detailed summary of the actual construction costs if the system has been constructed. (OR) If the system has not been constructed, attach a copy of the engineer's cost estimate provided with the system design. Eligible practices will be limited to practices that are eligible for cost share assistance under the ND NPS Pollution Management Program.*

2) List the source(s) and amount(s) of local, state or federal cost share assistance that will be used to support the installation of the system. Enter (N/A) if no cost share funds will be utilized.

Cost Share Program	Administering Organization and Local Contact	Amount of Cost Share	Match Required	Total
Total				

3) How will the requested loan be used?

- (a) _____ Finance the total costs of the system with no cost share assistance
- (b) _____ Finance the match requirements associated with the cost share programs listed above.

4) Total SRF loan funds requested: \$_____ *NOTE: The cumulative total of all the cost share funds plus the requested SRF loan funds cannot exceed the total eligible costs of the system listed in #1 above.*

Signature

Applicant Signature: _____

Date: _____