State Revolving Loan Fund
Local Water Protection and Livestock Water Quality Facility Loan Funds

- Since 2006, the Livestock Water Quality Facilities Program has provided low-interest loans for livestock producers. As part of the SRF (State Revolving Fund), the program assists producers who want to prevent or reduce water quality problems.

- The program originally operated through a partnership between the Iowa Agricultural Development Authority (IADA), the Iowa Finance Authority, and the Iowa Department of Natural Resources.

- In June 2008, local Soil and Water Conservation Districts assumed IADA's role in processing applications. The Iowa Department of Agriculture and Land Stewardship Division of Soil Conservation (DSC) and the Natural Resources Conservation Service provide support.

- This was not a new role for the districts or DSC. They had successfully operated the Local Water Protection Program since 2005 to finance sediment and nutrient control practices.

- The districts are now a one-stop shop for farmers to apply for technical and financial assistance for both loan programs. Producers now have one loan application form, one application process and one web site to consult when considering a water quality-related improvement on their farm.

- ISU Program Evaluation – June 2009 Findings: Loan recipient perceptions of program effectiveness is overwhelmingly positive. Loans are facilitating larger and accelerated investments in conservation while lessening dependence on cost share. Near universal satisfaction by loan users. All evidence points to an effective program that could serve as a model for other states.

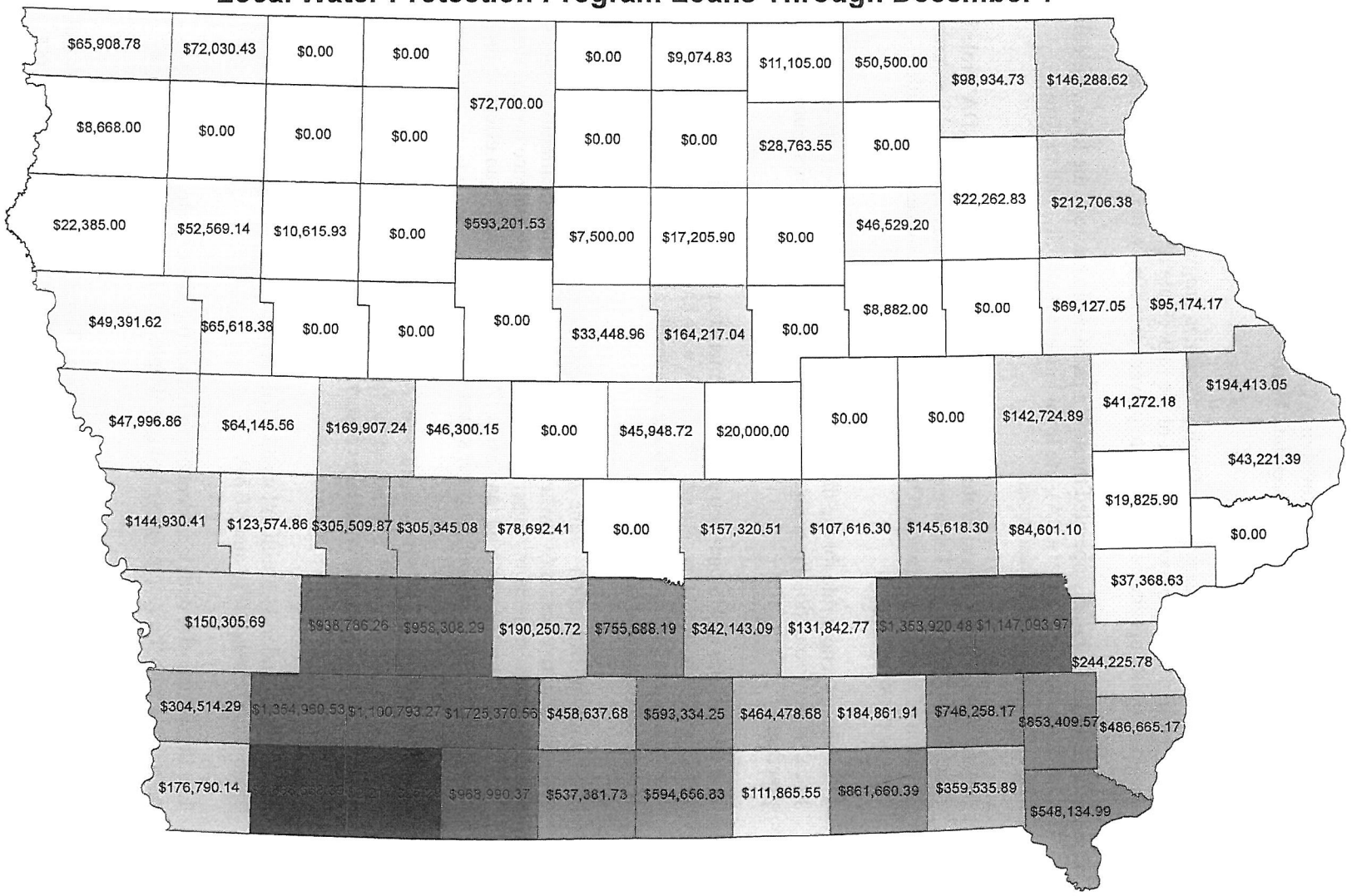
- $28 million in loans for practices that better manage manure. $26 million in loans for practices that keep soil in place on the landscape. Meaning $54 million total loaned to help implement voluntary conservation efforts that improve water quality. Over 1,800 borrowers.

- FY 10 – just under $12 million loaned. This is nearly double the amount of cost share spent through IFIP and REAP.

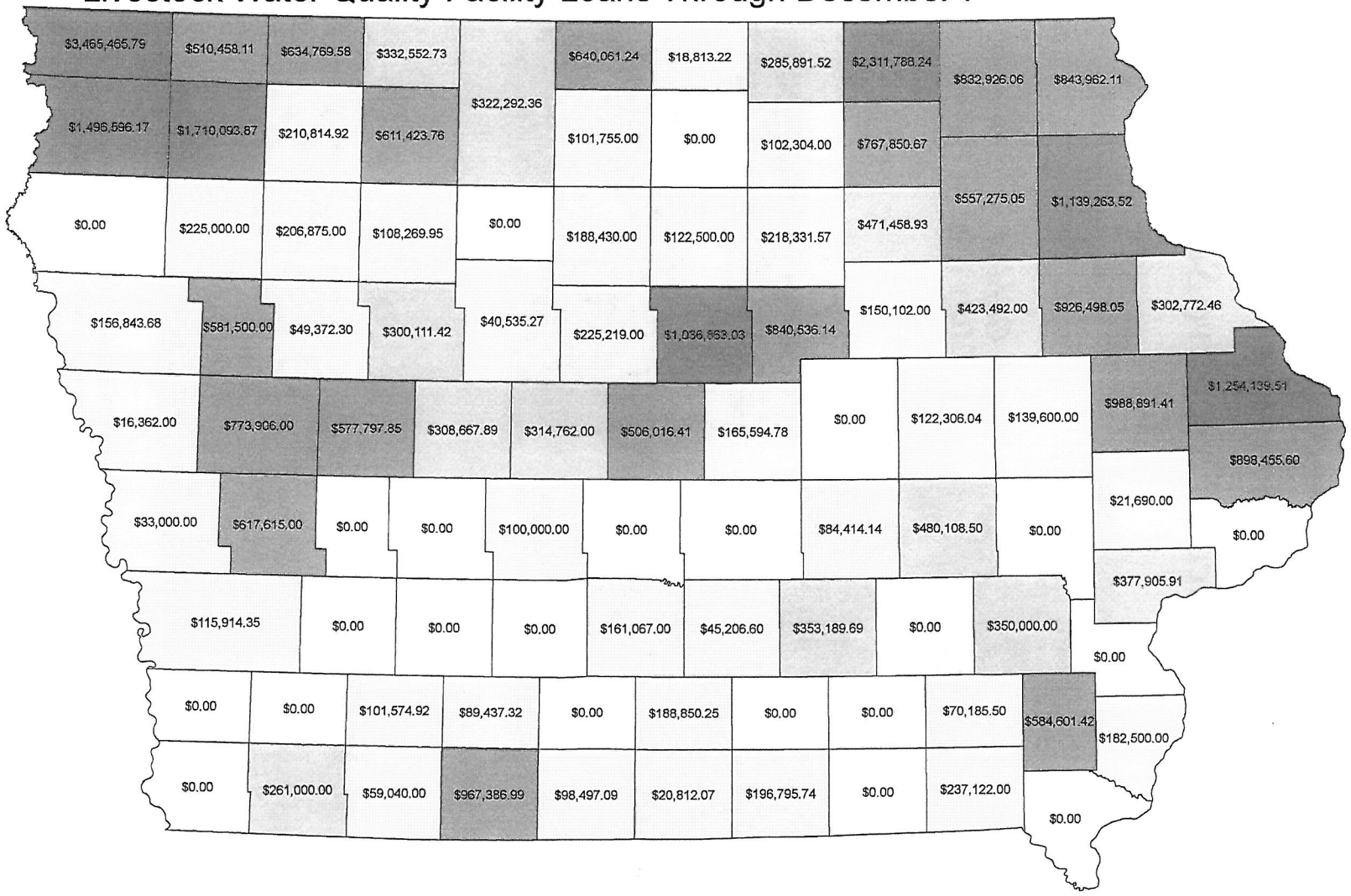
- Use linked deposits with local lenders to reduce the interest rate. 475 lenders participate with the loan program using a simple web based system to manage deposits.

- Interest rate is 3% fixed for the life of the loan. Terms up to 15 years. Quick and simple process from start to finish. Loans from $5,000 with a $500,000 cap per borrower.

Local Water Protection Program Loans Through December 7



Livestock Water Quality Facility Loans Through December 7



Program Evaluation of the State Revolving Fund Loan Programs for Agricultural Best Practices: Executive Summary

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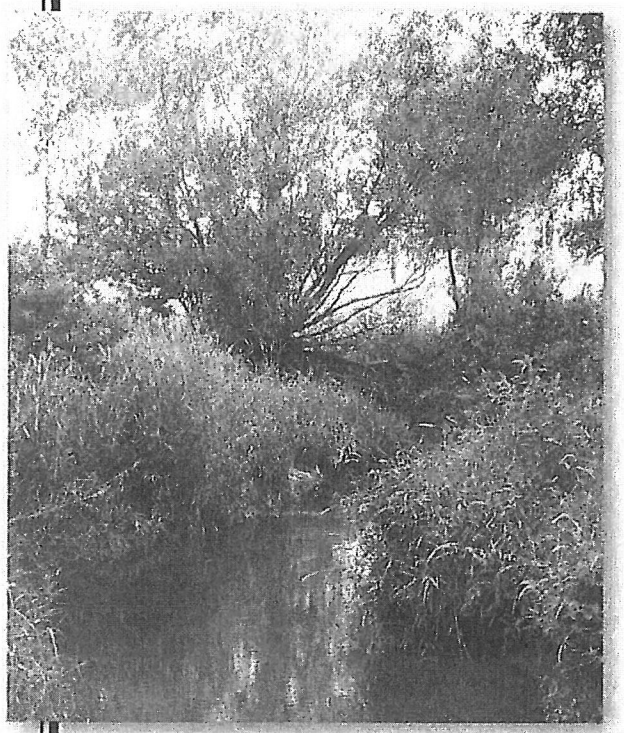

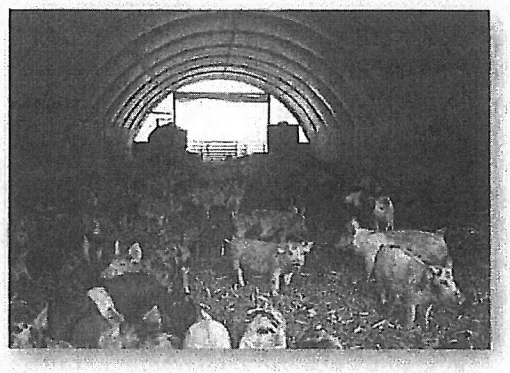

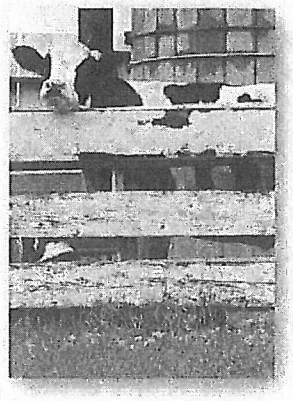

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IOWA STATE UNIVERSITY
University Extension

IOWA Learning Farm

Sociology Technical Report 1030–ES
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Introduction

This report presents the results of a study of the Iowa State Revolving Fund's (SRF) Local Water Protection Program (LWPP) and Livestock Water Quality (LWQ) Program. The purpose of the project was to improve understanding of landowner knowledge, attitudes, and behaviors related to use of the programs' low-interest loans to finance implementation of agricultural best management practices. The project's objectives were to 1) examine the effectiveness of the low-interest loan programs, and 2) generate information that could inform efforts to increase their use as tools to help landowners reach their conservation goals. This research was a joint effort between the Iowa State University Department of Sociology, the Iowa Learning Farm (ILF) project, the Iowa Department of Natural Resources (DNR), and the Iowa Department of Agriculture and Land Stewardship (IDALS).

Research Problem and Question

The LWPP and LWQ programs are designed to improve water quality by increasing the scope, scale, and rate of agricultural best management practice establishment. The programs' low-interest loans are meant to facilitate implementation of conservation practices by relieving capital constraints and decreasing the financial burden associated with practice adoption. At the time that the study was initiated, in late 2007, the programs had not attained desired levels of use among landowners, and use varied widely across the state. The overall research question that the study addressed was: *Why are Iowa landowners/producers not taking full advantage of the Local Water Protection and Livestock Water Quality Programs to finance their efforts to establish agricultural best management practices?*

Research Focus

The study focused on both the individual and organizational levels. Individual-level research consisted of a survey of 1) LWPP and LWQ program participants and 2) landowners who had a) implemented eligible conservation practices through state or federal programs since the LWPP and LWQ program began in 2005, and b) had not taken a loan. A group of landowners who had received state cost-share for conservation practice establishment was selected for comparison with LWPP participants, and a group of NRCS Environmental Quality Improvement Program (EQIP) participants was drawn for comparison with LWQ loan recipients. The survey was mailed to 1,622 farmland owners, and 726 surveys were returned.

The survey collected data that allowed comparison of loan program participants with non-participants on key variables such as conservation behavior, farm size, income, and attitudes toward loans. Data analysis sought to shed light on why some landowners decided to participate in the loan programs while others did not, and evaluated participants' experiences with and perspectives on the programs.

The objective of the organizational-level research was to assess factors that might be facilitating or impeding the promotion and use of the LWPP and LWQ programs. This component consisted of focus groups with Soil and Water Conservation District (SWCD) staff across the state. Research sites were selected based on level of loan program use, with focus groups being held in high-use, medium-use, and low-use areas across Iowa. Discussion focused on staff knowledge and perceptions of the programs to identify strengths and weaknesses in implementation strategies.

Data Analysis

Six separate analyses of survey data were conducted. The groups that were analyzed and related research objectives were:

1) ***Loan recipients only:*** Examine motivations for participation, perception of program effectiveness, and experience with the programs.

2) ***Aware, no loan:*** Explore reasons behind decisions not to use loans among those respondents who knew about the loan programs but did not take a loan.

3) ***Loan recipients vs. aware, no loan:*** Compare loan users (LWPP and LWQ participants combined) to respondents who were *aware* of the programs but did not take a loan to examine differences and explore reasons behind decisions not to use loans.

4) ***Loan recipients vs. unaware.*** Compare loan recipients to those who were *not* aware of the loan programs to determine why they were unaware and identify differences that point to potential program impacts.

5, 6) ***LWPP vs. CS; LWQ vs. EQIP.*** Compare LWPP participants to respondents who received state cost-share assistance, and LWQ loan recipients to EQIP participants to identify differences that point to potential program impacts.

Results

Loan recipients only: Loan recipients viewed the loan programs as effective and user-friendly. They overwhelmingly believed that the loans had helped them to accomplish their conservation goals more rapidly than they would have otherwise, primarily by relieving capital constraints. Nearly all participants indicated that the loan process was easy to navigate and that they were very satisfied with the program, would take a loan again, and would recommend it to others. Taken together, the results show that the LWPP and LWQ programs are meeting client expectations exceptionally well.

Aware, no loan only group: Data from respondents who were aware of the loan programs but did not apply for a loan did not point to systematic causes of non-participation. Many respondents preferred to use their farm operating budgets or savings. Others were satisfied with current levels of cost-share or were willing to wait for future cost-share. Some evidence also pointed to reticence to take loans due to already high debt levels and aversion to using loans for purposes other than production. This group's reliance on farm operating budgets and personal savings, however, points to program marketing opportunities. If such landowners were to take subsidized loans for conservation, they could free that proportion of capital up for investment in productive activities and assets.

Loan Recipients vs. Aware, No Loan: Compared to farmers and landowners who were aware of the loan programs but did not take a loan, loan program participants had much smaller farm operations in terms of acreage, gross farm income, and net household income from farming. Despite the smaller size of their operations, they spent at least as much on conservation practices and adopted at least as many practices as respondents who knew about the loans but did not take one. Because loan recipients used their loans to cover nearly 40 percent of the cost of their conservation practices, they relied far less on cost-share, farm operating budgets, and personal savings. They were much more likely to have learned about the loan programs through a local bank, were more likely to view loans in general as a means to accomplish goals more quickly, and were more likely to view loans as appropriate for financing conservation practices.

Loan Recipients vs. Unaware: Compared to farmers and landowners who were *unaware* of the loan programs, loan program participants established a greater diversity of conservation practices, invested 25 percent, or $15,000, more in conservation, depended far less on cost-share, farm operating budgets, and personal savings, were more likely to cite environmental reasons for conservation practice establishment, and were more likely to view loans as an appropriate vehicle for conservation practice implementation.

One of the most striking findings of this study is the widespread lack of awareness of the loan programs. Of the 359 respondents who had not taken a loan, only about 25 percent (88) knew that they exist. Given that a majority of those who were not aware of the loans indicated that conservation practices would be appropriate uses for loans, this finding points to a substantial and untapped pool of potential clients.

LWPP Participants vs. State Cost-Share Recipients: Compared to farmers and landowners who received state cost-share (CS) funds but did not receive a loan, *LWPP participants* had smaller farm operations in terms of acreage, gross farm income, and net household income from farming. Even though their operations were much smaller on all measures, they spent an average of 25 percent, or $12,000, more on conservation practices and adopted a greater diversity of practices. As was the case with the full group of loan recipients, LWPP participants relied far less on cost-share, farm operating budgets, and personal savings that their counterparts who had received only cost-share.

LWQ vs. EQIP: Compared to farmers and landowners who received EQIP funds but did not receive a loan, *LWQ participants* owned fewer acres, but had more animal units, higher gross farm income, and more net household income from farming. They were much more likely to have made manure management changes in their operations since 2005. In terms of conservation investment, they spent 50 percent, or nearly $80,000, more on conservation practices than their EQIP counterparts, and used far less cost-share, farm operating budgets, and personal savings to do so.

Recommendations

Both the survey and the focus group research pointed to steps that might be taken to expand the reach of the LWPP and LWQ programs. This section provides a number of recommendations that were either suggested by focus group participants or drawn from the survey results.

Address uncertainty among field staff. Specific actions that were suggested during the focus groups included: develop regionally appropriate, comprehensive lists of eligible practices; publish brochures designed for landowners; ensure that field staff, especially secretaries, understand the entire loan process from the local level

through Des Moines; and adopt a consistent terminology for the loan programs.

Increase outreach to local lenders. Both focus group and survey data highlighted the importance of banks as a source of information about loan programs. A systematic marketing campaign targeting banks, particularly in low-use areas, would likely enhance program participation.

Increase outreach to key private sector actors. Conservation contractors, technical service providers, and equipment dealers have played a role in disseminating information about the programs. An increased marketing effort among these and other firms who work with landowners could enhance program use.

Promote the programs through local media. Focus group participants suggested promoting programs through local newspapers and radio, and including testimonials from landowners who have taken loans.

Promote the programs at field days. Very few loan recipients indicated that they had learned about the loan programs at field days. Landowners who attend field days and similar events are there to learn, and are generally open to new ideas. Increased promotion of the loan programs at field days and events conducted by ISU Extension, Iowa Learning Farms, Practical Farmers of Iowa, and other organizations could lead to significant dissemination of information about the programs.

Focus on productivity. The survey research showed that the dominant reasons for adopting conservation practices were related to maintenance or enhancement of agricultural productivity. Current LWPP and LWQ materials are focused primarily on water quality benefits. Given the clear importance of long-term productivity considerations in landowner decisions to invest in conservation, a more explicit focus on loan program ability to deliver dual benefits—productivity and water quality—might improve response.

Lower the minimum loan amounts? Several focus group participants noted that many projects were too small to qualify for loans. Based on our calculations, only 17 percent of state cost-share recipients and 23 percent of EQIP participants since 2005 would have qualified for LWPP and LWQ loans, respectively. Field staff indicated that project size may be limited by efforts to spread scarce cost-share among the many applicants, which may reduce the number of eligible projects. If that is the case, or if most projects just tend to be small because the average need for practices is low, then lowering the minimum loan size could augment program use by broadening eligibility.

On the other hand, if scarcity of cost-share is leading to reduced project size, the loan programs offer opportunities for field staff and their clients to scale up. Increased use of loans could help to wean landowners away from dependence on cost-share. Such a shift, however, would require institutional commitment to promotion of the low-interest loans among all relevant agencies and true incorporation of the loans as a central component of the conservationist's tool-kit. If loans were to become a first option for landowners, with cost-share playing a complementary role, lowering the minimum loan size would likely not be necessary.

Conclusions

Loan recipient perceptions of program effectiveness were overwhelmingly positive. Evidence strongly suggests that by helping program participants to overcome financial constraints, loans are facilitating larger and accelerated investments in conservation while lessening dependence on cost-share. In addition, that almost all loan users would recommend the programs to a friend or take another loan themselves indicates near universal satisfaction with both the loan product and process. An especially important finding was that although LWPP participants' farms were much smaller on average than their non-participant counterparts, their conservation investments were much higher. LWQ participants also invested much more in conservation, especially in manure management practices, than their EQIP counterparts.

Overall, the study results indicate that the loan programs are leading to significant benefits for Iowa's lands and waters. The loans appear to be complementing traditional conservation programs and helping landowners to get more practices on the landscape more quickly than they would have otherwise. While the study did identify several factors that may be hindering implementation in some areas of the state—primarily landowner lack of knowledge of the programs—those problems appear to be easily remediable. All available evidence points to an effective program that could serve as a model for other states.

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