

Technical Memorandum 1.1

Financial and Technical Assistance Programs for Irrigated Agriculture in Montana

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Prepared by PBS&J (subcontractor) for ECONorthwest (contractor) and the
Montana Department of Natural Resources and Conservation



1120 Cedar
Missoula, MT 59802
Phone: 406-532-7275
www.pbsj.com

I. INTRODUCTION

Federal, state and local governments all provide various levels of financial and technical assistance to agricultural operations in Montana. This memorandum summarizes the financial and technical assistance programs that are available to private and public entities for irrigation related projects and activities.

To identify relevant federal, state and local government programs, we searched websites and contacted several agency personnel. We found 12 programs that make assistance available to irrigated agriculture in Montana. The agencies that provide this assistance include the Natural Resources and Conservation Service (NRCS), the Farm Service Agency (FSA), the Montana Department of Natural Resources and Conservation (DNRC), the Montana Department of Agricultural, the Montana Fish Wildlife and Parks (MTFWP) and the Conservation Districts. The level of assistance and funding varies amongst the programs. In the sections below, we have included descriptions of each program.

Some of the programs we investigated are established specifically for private irrigators, where others require a public or local government entity (conservation or irrigation district) to develop the programs that ultimately will support private irrigators through the development of local projects.

The following sections summarize all programs in more detail and describe the following information for each program:

- Name of the Program
- Name of the Agency – Federal, State or Local
- Technical or Financial Assistance
- Loan or Grant, are Matching Funds required
- Who would qualify
- What types of projects qualify
- Narrative description of program
- Applicability for Drought Mitigation
- Utilization over the past 5 years where available

II. FEDERAL ASSISTANCE PROGRAMS

Environmental Quality Incentives Program (EQIP)

EQIP is a voluntary program administered by the Natural Resources Conservation Service (NRCS) that provides technical and financial assistance to farmers in the form of grants and cost share programs. This is one of the main Farm Bill programs. Assistance is available to farmers and ranchers who face threats to soil, water, air and related natural resources. EQIP eligibility includes the following:

- The landowner must be engaged in an agriculture or livestock operation
- There must be compliance with the 1985 Farm Bill (application of an approved soil conservation system and certification that wetlands have not been converted to crop land and that crops have not been produced on wetlands)
- Applicant must provide a valid social security number
- An EQIP plan of operations must be developed.

Several examples of qualifying projects include infrastructure improvements for switching from flood irrigation to sprinkler, pivot installation, leaky ditch repairs, head gate replacement, increased pumping capacity and change in crop type and production for increased irrigation efficiency.

Recent Funding	
2004	\$5,477,055
2005	\$2,543,957
2006	\$3,433,340
2007	\$3,231,274
2008	\$3,948,221

The goal of the EQIP program is to promote agricultural production and environmental quality as compatible goals to optimize environmental benefits. EQIP uses a locally led process to adapt National priorities to address local resource concerns. Program funds can be applied to drought mitigation if that is identified as a priority by the local decision makers.

Source: Website www.nrcs.usda.gov/PROGRAMS/EQIP/
 Program Contact: Carrie Mosley carrie.mosley@mt.usda.gov Assistant State Conservationist for Programs
 USDA Natural Resources Conservation Service
 10 East Babcock Street, Room 443
 Bozeman, MT 59715-4704 Phone: 406-587-6811, Fax: 406-587-6761

Conservation Technical Assistance Program

The NRCS provides conservation planning and technical assistance to individuals, groups, and units of government through the Conservation Technical Assistance program. NRCS planners provide this assistance at no cost to individuals and groups facing natural resource challenges. Conservation planning is a natural resource problem- solving and management process.

Any landowner or group that is interested in developing a conservation plan for their land is eligible to receive this assistance from the NRCS. Most commonly though, NRCS employees work with people who are developing a plan with the ultimate goal of obtaining funding through EQIP or any of the other Farm Bill Programs. As part of the planning process, NRCS employees work with system owners/operators to identify the source of problems, inventory available resources and present possible solutions. Once this planning process has been conducted, then funding through other programs such as EQIP can assist in financing projects through the design and construction phases.

The NRCS does not maintain records that allow for a specific quantification of the amount of funding that this program requires.

Source: Website <http://www.mt.nrcs.usda.gov/technical/ecs/planning>
 Program Contact: Randy Phelan, randy.phelan@mt.usda.gov Acting Assistant State Conservationist (Operations)
 USDA Natural Resources Conservation Service
 10 East Babcock Street, Room 443
 Bozeman, MT 59715-4704 Phone: 406-587-6811, Fax: 406-587-6761

Farm Loan Programs

The Farm Loan Programs are administered by the Farm Services Agency (FSA). This program is extensive and includes both Direct Loans and Guaranteed Loans. Direct Loans are made by the FSA with Government funds. The FSA services these loans and provides supervision and credit counseling so recipients have a better chance for success.

Guaranteed Loans provide lenders (e.g., banks, Farm Credit System institutions, credit unions) with a guarantee of up to 95 percent of the loss of principal and interest on a loan. Farmers and ranchers apply to an agricultural lender, which then arranges for the guarantee. The FSA guarantee permits lenders to make agricultural credit available to farmers who do not meet the lender's normal underwriting criteria.

Each of these loan programs offers Farm Ownership and Operating Loans to family-size farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lender. FSA loans can be used for soil and water conservation projects. In addition, Direct Emergency loans can provide assistance to farmers and ranchers effected by drought and other natural disasters. Details of each of these loans are contained in the table below.

Program	Max Loan Amount	Rates and Terms	Use of Proceeds
Direct Farm Ownership	\$200,000	Up to 40 years Rates based on Agency borrowing costs Temporary limited resource interest rates are available for those unable to repay at regular rates Interest rate 5% if 50% of loan amount provided by other lender	Purchase land Construct buildings or other improvements Soil and water conservation
Direct Operating	\$200,000	From 1 to 7 years Rates based on Agency borrowing cost	Purchase livestock, poultry, equipment, feed, seed, farm chemicals and supplies Soil and water conservation

Program	Max Loan Amount	Rates and Terms	Use of Proceeds
		Temporary limited resource interest rates are available for those unable to repay at regular rates	Refinancing indebtedness with certain limitations
Direct Emergency	100% actual or physical losses \$500,000 max program indebtedness	From 1 to 7 years for non-real estate purposes Up to 40 years for physical losses on real estate Interest rate: 3.75%	Restore or replace essential property Pay all or part of production costs associated with the disaster year Pay essential family living expenses Reorganize the farming operation Refinancing indebtedness with certain limitations
Guaranteed Operating	\$949,000	From 1 to 7 years Rates not to exceed those charged lenders' average farm customers Interest rate reduction of 4% available for those unable to repay at regular rates (with certain limitations)	Soil and water conservation Refinancing indebtedness with certain limitations Purchase livestock, poultry, equipment, feed, seed, farm chemicals and supplies
Guaranteed Farm Ownership	\$949,000 (Amount adjusted annually for inflation)	Up to 40 years Rates not to exceed those charged lenders' average farm customers	Purchase land Construct buildings or other improvements Soil and water conservation Refinance debts

FSA loans are often provided to beginning farmers who cannot qualify for conventional loans because they have insufficient financial resources. FSA also helps established farmers who have suffered financial setbacks from natural disasters, or whose resources are too limited to maintain profitable farming operations. The information on utilization of the farm loan program for irrigation projects in Montana was not available.

Source: Website www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=landing
To find a local office go to: offices.sc.egov.usda.gov/locator/app?state=us&agency=fsa

III. STATE ASSISTANCE PROGRAMS

Irrigation Development Grant

The Department of Natural Resources and Conservation (DNRC) administers the Irrigation Development Grant program which provides financial assistance in the form of grants with a maximum amount of \$15,000 per grant (exceptions to this limitation may be made for large projects or issues of statewide interest). Both public and private entities are eligible for this program. Suitable projects are those that lead toward the development of new irrigation projects and activities that increase the value of agriculture for existing irrigated lands. Grant money cannot be used for final engineering work or equipment purchases.

Funding for Irrigation Development Grants is authorized by the Montana Legislature to support ongoing and new efforts to enhance the value of irrigated cropland. It is the intent of this program to provide technical and financial assistance in the development of new irrigation and to increase the value of existing irrigation. The total funding available for the 2007-2009 biennium for the Irrigation Development Grants is \$149,720. These funds are not directly applicable for drought mitigation.

Recent Funding	
2003	\$135,681
2004	\$36,000
2005	\$5,000
2006	\$150,000
2007-2008*	\$149,720

Source: Website

www.dnrc.mt.gov/caridd/ResDevBureau/irrigation_development/irrigation_dev_grants.asp

Program Contact: Pat Riley priley@mt.gov Irrigation Development Officer

Montana Department of Natural Resources and Conservation Resource Development Bureau

Airport Industrial Park

1371 Rintop Drive

Billings, MT 59105 Phone: 406-247-4404 Fax: 406-247-4410

Renewable Resource Grant and Loan Program

The DNRC administers the Renewable Resource Grant and Loan (RRGL) program which provides financial assistance in the form of grants and loans. Grants are limited to \$100,000 per project and loans are limited by the applicant's debt capacity. Matching funds are not required. Eligible applicants include political subdivisions of state, local and tribal government including state agencies and universities, counties, incorporated cities and towns, conservation districts, irrigation districts, water/sewer/solid waste districts and tribes.

Recent Grant Funding	
2003-2004	\$550,000
2005-2006	\$1,451,764
2007-2008	\$1,499,355

Projects that conserve, manage, develop or protect Montana's renewable resources are eligible for funding including irrigation system rehabilitation, dam repair, renewable energy projects and soil and water conservation activities. The Montana Legislature established the Renewable Resource Grant and Loan Program to fund the conservation, management, development and preservation of Montana's renewable resources. Over the years, there has been a steady increase in the number of irrigation loans that the program has funded, which reflects the need for repair of aging ditches, diversions, and other irrigation infrastructure as well as the lack of any federal assistance for these projects.

While this program is not specifically designed to provide drought mitigation measures, drought and drought relief could be the driving force behind pursuit of projects funded by this program.

Public Loans (outstanding balance for irrigation projects)	
2003	\$7,059,505
2004	\$7,233,254
2005	\$18,361,052
2006	\$18,165,285
2007	\$17,213,208

Source: Website www.dnrc.mt.gov/cardd/ResDevBureau/renewable_grant_program.asp
 Program Contact: Bob Fischer bfischer@mt.gov or Pam Smith pamsmith@mt.gov
 Montana Department of Natural Resources and Conservation Resource Development Bureau
 1625 Eleventh Avenue
 Helena, Montana 59620-1601 Phone: 406-444-6668 FAX: 406-444-6721

Private Water Development Loans

The DNRC administers loans to private entities program which provides financial assistance in the form of loans for irrigation system improvements that benefit natural resources. Individuals, partnerships, associations and corporations, both for-profit and non-profit, are eligible for these funds. Loans to individual private entities may not exceed the lesser of \$400,000 or 80 percent of the fair market value of the security given for the project. Private loans to individuals must be

Private Loans (outstanding balance for irrigation projects)	
2003	\$15,400,000
2004	\$15,200,000
2005	\$15,800,000
2006	\$15,800,000

secured with real property. Loans up to \$3 million are available for such organizations as water user associations and ditch companies. These loans are secured by the revenue produced by the system.

Suitable projects would include irrigation system improvements, such as conversion from flood irrigation to sprinkler irrigation. To finance loans, the law provides authority to issue general obligation renewable resource bonds up to a total outstanding balance of \$20 million.

Source: Website www.dnrc.mt.gov/cardd/ResDevBureau/private_loans.asp

Program Contact: Larry Bloxsom lbloxsom@mt.gov Financial Specialist
Montana Department of Natural Resources and Conservation Resource Development Bureau
1625 Eleventh Avenue
Helena, Montana 59620-1601 Phone: 406-444-6668 FAX: 406-444-6721

Renewable Resources Project Planning Grants

The DNRC planning grants to assist with preparation of RRGL grant applications. There was \$400,000 available for the biennium beginning July 1, 2007. Individual grants cannot exceed \$15,000 each. No matching funds are required for an applicant to receive a planning grant. Planning grant funds were expended within the first 2 months of the biennium.

The DNRC Renewable Resources Project Planning Grants are available to public or government entities in the planning and development of renewable resources projects that conserve, develop, manage or protect Montana's renewable resources. Funding can only be used for DNRC-approved contracted services necessary to plan a renewable resources project.

This program is divided into two categories including Public Facility Projects and other Renewable Resources Projects (RRP). Irrigation projects fall into the RRP category. Eligible projects include dam rehabilitation, irrigation infrastructure installation and repair, water and other resource conservation management, and recreation development.

Recent Funding	
2003	\$45,000
2004	\$15,000
2005	\$0
2006	\$45,000
2007	\$60,000

Total funding in 2007 for the Renewable Resources Project Planning Grants for irrigation related projects was \$60,000 of the \$400,000 total allocation. These funds are not directly applicable for drought mitigation

Source: Website www.dnrc.mt.gov/cardd/ResDevBureau/project_planning_grants.asp
Program Contact: Pam Smith pamsmith@mt.gov Program Specialist
Montana Department of Natural Resources and Conservation Resource Development Bureau
1625 Eleventh Avenue
Helena, Montana 59620-1601 Phone: 406-444-6668 FAX: 406-444-6721

Reclamation and Development Grants Program

The DNRC Reclamation and Development Grants program is designed to fund projects that reclaim lands damaged by resource extraction and/or support activities that address crucial state needs. In 2007, funds were supplied to conservation districts for a water storage project on the Musselshell, improvements to an irrigation canal in the Big Hole and the Milk-St. Mary's rehabilitation project. These projects were considered under the crucial-state-need aspect of this program.

Source: Website www.dnrc.mt.gov/cardd/ResDevBureau/rdgp.asp

Program Contact: Greg Mills gmills@mt.gov Program Officer
Montana Department of Natural Resources and Conservation Resource Development Bureau
1625 Eleventh Avenue
Helena, Montana 59620-1601 Phone: 406-444-6668 FAX: 406-444-6721

Growth Through Agriculture

The Growth Through Agriculture (GTA) program is administered by the Montana Department of Agriculture. It was developed to encourage economic growth through innovation in various aspects of agriculture business to strengthen Montana agriculture industry. Public, private, educational and local government entities and businesses are eligible to submit proposals to the Montana Agriculture Development Council requesting investment funds for projects.

Qualifying projects include proposals that have practical, near-term applications involving new or alternative technologies that will stimulate expanded agriculture development, economic activity, and employment. Total project investment for one company and project may not exceed \$150,000. The investment amounts are limited to three rounds of \$50,000 financing with a 9-month waiting period between separate investments.

Funds may be provided under three different scenarios:

- Investment without repayment
- Return on investment with expectation that all the money is repaid
- Seed capital loans with expectation that the money will be repaid with interest.

In general, most common irrigation projects would not be eligible for these funds but GTA has funded irrigation projects in the past. For example, in 2005 money was given for the Chester Irrigation Project that included project coordination and preliminary engineering design for a large irrigation project in North Central Montana, near Chester. This program may be suitable for entities that are developing irrigation for innovative or new projects focusing on the renewable fuels industry with significant local economic development to agriculture.

Recent Funding	
2002	\$100,000
2003	\$0
2004	\$0
2005	\$50,000
2006	\$0
2007	\$0

Source: Website agr.mt.gov/business/GTA.asp
Program Contact: Collin Watters, Program Manager
Montana Department of Agriculture
303 North Roberts Street
Helena, Montana 59620-0201 Phone 406-444-2402 Fax 406-444-9442

IV. MULTI-JURISDICTIONAL AND LOCAL GOVERNMENT ASSISTANCE PROGRAMS

Fisheries Restoration and Irrigation Mitigation Program for Montana

The Montana Fish Wildlife and Parks (FWP) works in conjunction with the US Fish and Wildlife Service to administer the Fisheries Restoration and Irrigation Mitigation Program (FRIMA). This program provides grant money to local government entities including counties, cities, towns, regional governments, and service districts such as Conservation Districts or Irrigation Districts. The program requires a match of at least 35% which can be in the form of in-kind contributions or goods or services.

Recent Funding	
2002	\$855,386
2003	\$420,000
2004	\$488,137
2005	\$66,869
2006	\$194,465
2007	\$42,059

Projects that qualify for this program include design, construction, and installation of fish screens, fish ladders, and other fish passage devices associated with water diversions.

While the intent of this program is not to benefit irrigators, the money available can make compliance with current regulations more affordable when there is a need to rehabilitate or replace existing irrigation diversion structures.

Source: Website fwp.mt.gov/habitat/fisheriesrestoration.asp
 Program Contact: Mark Lere mlere@mt.gov
 Montana Fish, Wildlife and Parks
 P.O. Box 200701
 Helena, MT 59601 Phone: 406-444-2432

Conservation District Grants (HB 223 Grant Program)

The DNRC makes funds available to local Conservation Districts through the HB 223 Grant Program. Grants are typically limited to \$15,000 per project and preference is given to applications that include in-kind contributions and/or

Recent Funding	
2003	\$39,120
2004	\$35,350
2005	\$40,848
2006	\$17,014

matching funds. Preferential consideration will also be given to those applications requesting less than \$15,000 (though the total cost of the project may be more than this amount). Grants over \$15,000 may be awarded but require matching funds.

The Conservation District must be the entity which makes the application but proposals can be initiated by any individual, group or other entity as long as the proposed project advances the purpose of existing Conservation District programs.

The individual districts must follow a set of guidelines for eligibility including:

- Funds may be used for projects, such as planning, education, feasibility studies, or actual construction projects
- Projects must show a public benefit as well as a conservation benefit
- Irrigation construction or design projects must have 50:50 cash match from landowners or other beneficiaries, such as an irrigation district or ditch company.

Source: Website www.dnrc.mt.gov/cardd/loans_grants/cdloangrants.asp#HB223

Program Contact: Laurie Zeller lzeller@mt.gov Resource Specialist

Montana Department of Natural Resources and Conservation, Conservation District Bureau
1625 Eleventh Avenue

Helena, Montana 59620-1601 Phone: 406-444-6668 FAX: 406-444-6721

Conservation District Technical Assistance Grants

The DNRC administers the Conservation District Technical Assistance Program which provides funding in the form of grants to Conservation Districts. This program has between \$50,000 and \$100,000 available annually. No matching funds are required. The money can be used for assistance with technical issues necessary to get projects started on the ground. Projects include limited engineering planning review and technical assistance for securing permits under Section 310 of the Clean Water Act. The program has with no dollar limit per application. Specific funding information for irrigation projects was not available.

Source: "Funding Programs Administered by the DNRC" 2004 Brochure

Program Contact: Laurie Zeller lzeller@mt.gov Resource Specialist

Montana Department of Natural Resources and Conservation Conservation District Bureau
1625 Eleventh Avenue

Helena, Montana 59620-1601 Phone: 406-444-6668 FAX: 406-444-6721

V. SUMMARY

The programs available to assist irrigation operators in Montana are quite varied. The main source of Federal funds is the EQIP program which invests hundreds of thousands of dollars in the state each year. In conjunction with the EQIP program, NRCS employees provide valuable conservation planning assistance. The federal government also supplies loans to agricultural producers through the Farm Services Agency.

Several State programs also exist to provide support to irrigated agriculture. These programs are more targeted to particular types of projects so there are times when certain programs receive far more applications than can be funded and others are left with funds un-allocated. Still other programs such as the FWP Fisheries Restoration and Irrigation Mitigation Program do not directly provide funds for irrigation, but can make it more affordable to comply with existing

environmental concerns when major irrigation related projects may impact streams and rivers.

The Conservation Districts play an interesting role in funding for agricultural projects. Certain state and federal funds are channeled through the Conservation Districts. This allows funding decisions to be made on a local level by local people. The Conservation Districts provide people with expertise in obtaining funding for appropriate projects.