

10 Minute Supervisor Trainings



June 2021

Equipment Revolving Loan Fund

The Kentucky Division of Conservation administers the Equipment Revolving Loan Program, which was established in 1948 by the Kentucky General Assembly to provide funds to Kentucky's 121 conservation districts for the purchase of specialized equipment. The equipment is used in projects to conserve or protect Kentucky's soil, water and other natural resources. Equipment eligible for loans through the program include dozers, backhoes, front-end loaders, earthmovers/pans, no-till drills/planters, precision applicators for agricultural chemicals, roller crimpers for cover crops, equipment for animal wastes systems and other equipment suited for conservation work.

Since its inception, the Equipment Revolving Loan Program has been expanded by the Soil and Water Conservation Commission to include infrastructure loans to conservation districts. Infrastructure is the plant and assets required for maintaining a district office presence. Plant and assets are long-term fixed and variable assets that are used to run a business and are not for resale to customers. They normally include buildings, IT networks, telephones, other items that are in an office, and other structures, appurtenances, real estate regardless of whether it is attached, and any other obligations that are used to obtain those assets.

Because the loan program is a revolving fund it has been successful in providing over \$62,000,000 in loans to 2300 individual contractors and conservation districts over the history of the program. This volume has been generated from its appropriations totaling \$1,850,000.00 in addition to interest payments on the loans.

Conservation districts submit applications to the Kentucky Division of Conservation for loans, which may be up to 2/3 of the purchase price of a unit including sales tax. The minimum required 1/3 down payment may be satisfied with cash or trade-in allowance. The equipment must be new or have less than 500 hours working time and the dealer must warranty the equipment as new. Equipment shall not be used in any manner associated with strip mining or the uncontrollable or "clear-cut" method of timber harvesting. Loan applications are considered and voted upon by members of the Kentucky Soil and Water Conservation Commission. Upon approval, the Division of Conservation sets up the terms of the loan, repayment schedule and reporting requirements in a contract with the conservation district. The Division of Conservation holds the title to all equipment until the loan is paid in full. At that time the lien will be released to the conservation district. As current loans to contractors are paid in full, the liens will be released to the conservation districts and may be transferred to the contractor.

In the November 16, 2020, Soil and Water Conservation Commission Meeting, the decision was made and voted on to no longer approve loans to contractors*. Any future loan applications will only be considered from conservation districts for purchasing conservation equipment or infrastructure.

*Note that any loan request beyond the conservation district is considered a request by a “contractor” whether that be an individual farmer/landowner, farming entity, or one who performs custom and/or contracted work.

The current loan rate is 1% and the loan terms can be set for 3-7 years. Payments of interest and principal are required monthly. Contracts are set up for complete payment of the principal over the agreed upon term. The principal must be paid current, according to schedule, at the end of each sixth month period of the contract.

Payments must be submitted with a loan report. BOTH pages of the loan report should be filled out. Loan numbers should be included on both the loan report and the payment check.

A downloadable equipment loan application and loan report are available on the Division of Conservation website.

Some guidance for district equipment:

- Rental rates should be set at or below average rates in each individual county
- Districts should consider the rates to hire a contractor to run the equipment, if needed
- All equipment should be labeled with the conservation district's name
- Districts should keep a list of all equipment, along with serial numbers and current hours or acreage
- Rental Agreements should be made and reviewed by the local county attorney and should include return policies, rates, daily charges for non-return, damage fees, etc.
- Insurance must be held on all equipment
- Slow moving vehicle signs should be placed on all equipment that will be towed
- Districts should have a policy for who will maintain the equipment and where it will be stored

District equipment rental does require a slight amount of extra work and thought for district employees and board members, however, the overall impact to individuals in a community who uses them is unprecedented. Providing this rental equipment is a great way for a local conservation district to not only assist producers, but to build a bond with them and promote their agenda to further conservation.