

## **Suggested Amendment: Financing Durable Measures to Support Ecosystems Services**

Summary: An idea to facilitate favorable financing for farmers to deploy certain durable measures to encourage investment in increase soil health and regenerative measures, to improve on-farm water quality, stabilize soil, or other purpose which supports sustainable farming practices.

Rationale: Many farmers want to transition from business-as-usual to sustainable methods, and Vermont plans a payment for ecosystems services. In some cases, restorative measures are needed which require initial investment in measures which produce benefits for many years or decades (ie: “durable”). Farmers may need to spread the expense over time.

Definitions: A “Durable Improvement” means is an improvement which is:

- has a purchase price of at least \$5,000;
- is not primarily mechanical or electronic;
- expected to produce ongoing ecosystem services benefits under Act 86 for at least 10 years;
- or
- is a custom measure approved by the Agency Secretary of the Department of Natural Resources

### Suggested Action Steps:

- 1) Survey similar existing programs offered by the USDA or other Federal authority and record key features and conditions and determine if a suitable program exists making the proposed program redundant;
- 2) Conduct research for similar programs offered by any state within the United States;
- 3) Contact private lenders to measure interest in providing loans for Durable Improvements, inquiring about capacity to grant loan terms reflecting:
  - Interest rate charges reflecting a default guaranty by the State of Vermont.
  - Loans on which payments do not begin until month 13.
  - Loans with durations up to 15 years.
  - Fixed interest loans, or loans with a limited range of interest rate adjustability.
  - Loans on properties with Conservation Easements.
  - Loans which may be assumed without modification by a successor owner if the property is transferred during the term of the loan, if the successor owner passes a credit check.
- 4) If a lender indicates willingness, each lender will produce a financial model of estimated annual default rate for a bundle of loans issued under these terms. A lender may also suggest specific revisions in terms which might improve default experience and provide a model for consideration.
- 5) A Working Group will consult with the Treasurer to determine the estimated annual cost of a State default guaranty and the potential for an interest rate buy-down.