

# Kentucky Agricultural Development Board

## Funding Policies & Procedures

[Compiled 5/25/2007, Last Revised 11/19/2021]

### I. General

#### A. Applications – Submission

1. County Councils – A County Council shall meet within 60 days of receiving an application requesting county funds, to act upon and assign a priority, and then forward the signed prioritization sheet to the Kentucky Office of Agricultural Policy (KOAP) for action by the Kentucky Agricultural Development Board (KADB).
2. All applicants for Kentucky Agricultural Development Funds (KADF) shall be registered with the Secretary of State with the exception of governmental entities (e.g. fiscal courts, conservation districts, boards of education), sole proprietorships and general partnerships. Recipients must be in good standing with the Secretary of State prior to receiving funds.
3. When a project receives a low county priority, the board's Application Review Committee (ARC) shall recommend no-funding the application, providing an explanation as to why the County Council gave the low priority.
4. Deadline for project and program applications to be received at KOAP (in hand) is the last Friday of the month (or the next business day if it falls on a holiday).
5. The KADB and/or KOAP staff may direct all applicants for State Agricultural Development Funds, who have previously received State funding from the KADB to the Kentucky Agricultural Finance Corporation (KAFC).
6. The KADB and/or KOAP staff may direct any applicant to the Kentucky Agricultural Finance Corporation when the project has hard capital needs, such as a building and/or permanent equipment to process Kentucky agricultural products.
7. The total participation between KADB funds and KAFC funds shall not exceed fifty percent of the projects costs per applicant.
8. Only new project expenses incurred after receipt of the application by the Kentucky Office of Agricultural Policy shall be eligible for funding.

#### B. Applications – Review Process

1. Board Recommendation Categories: “Fund,” “No Fund” and “Pend”
2. 60/60 Policy for Projects – Once staff requests information from the applicant, the applicant has 60 days to respond. At the end of the 60 days, a letter from staff will be sent outlining the requested information. If there is no response on behalf of the applicant after an additional 60 days, the application will expire.
3. Expiration – All applications that have not received action from the KADB will expire one year from the date of receipt by the KOAP.

4. Reduce County Funds – Staff has discretionary authority to lower board approved County Fund commitments for programs in the event that the county’s account balance is insufficient to cover the amount approved by the KADB. *[Adopted 5/19/2017]*

### **C. Compliance**

1. A recipient of a prior project or program may be considered by the KADB to receive funding for a new application, only if the recipient has fulfilled all compliance requirements for the current project or program.
2. All recipients of KADFs shall adhere to all reporting requirements. In the event that a recipient is not in compliance, KOAP staff shall request in writing the information necessary to reconcile the project or program.
3. Recipients of Agricultural Development Funds shall sign and return their legal documents with the KADB within six months of the date they are mailed from KOAP. If this requirement is not met, then funding commitments are void and application must be resubmitted to the Board.
4. Program Compliance Policies: Three categories for Program Administrators were created to further allow the KOAP staff to enforce the Guidelines for Program Administrators: Watch List, Probation, and Suspension. *[Adopted 2006; Revised 9/18/2015]*
5. The KADB, Auditor of Public Accounts and other relevant state agencies may review all records pertaining to the project and conduct an audit if deemed necessary.
6. Attendance at Regional Workshops when available:
  - a. Mandatory for all administrators – failure to attend will delay execution of Legal Agreement
  - b. Strongly encourage representation from the County Councils & County Extension Agents

## **II. Funding**

### **A. Types**

#### **1. Grants**

- a. Cost-reimbursement**
- b. Sponsorship**
- c. Cost-share Program**

#### **2. Loans**

- a. If a loan is for an amount over \$25,000, the standard security agreement and/or additional security as deemed appropriate by the Executive Director shall be used.

- b. In the event of default with the KADB, the KADB may transfer the loan to the Kentucky Agricultural Finance Corporation, and the KAFC may negotiate a modification of the terms as necessary to collect the debt.
- c. The KADB may approve interest-bearing loans.
- d. The KADB may send a loan it approves to KAFC for servicing.
- e. All loan types (forgivable, zero interest, etc.) require a personal guarantee from the applicant. [*Adopted 10/16/2015*]

### 3. Forgivable Loans

In the event of default with the KADB, the KADB may transfer the loan to the Kentucky Agricultural Finance Corporation, and the KAFC may negotiate a modification of the terms as necessary to collect the debt.

## B. Match

1. The KADB should not provide funds for operating and/or start-up costs. However, the KADB will allow an Applicant to use operation costs and start-up cost for one year as a portion of their match, not to exceed 50% of the required match.
2. Collaboration projects involving multiple counties and pooling of funds (local, private, county agricultural development funds, etc.) will be given greater consideration by the Kentucky Agricultural Development Board for state-level funding.
3. **For-profit application** - may apply for funding up to 50% of the new project costs incurred after application was received. Eligible expenses are limited to capital improvements and equipment. Match shall be new project expenses limited to capital improvements and equipment paid for with cash. In-kind products, services and labor are not an eligible match.
4. **Non-profit Community based application** - may apply for grants up to 50% of the new project costs incurred after application was received. Examples would be farmers markets, high school greenhouses and permitted kitchens. Match shall be new project expenses paid for with cash or documented third party donated materials and equipment. In-kind services and labor is not an eligible match.
5. **Non-profit Regional or Statewide project application** – may apply for grants for new project cost incurred after application was received. Examples would be organizations that provide marketing, distribution, educational or technical assistance to Kentucky farmers. Applicants are expected to seek other sources of funding in support of their project and present a plan for sustainability.

## C. County Contributions to State Projects

1. Regional projects, defined as ones that impact two or more counties, are required to have a county contribution from at least one county impacted by the project.

2. The Kentucky Agricultural Development Board may require significant contributions of County Agricultural Development Funds for projects seeking state-level funding.
3. Applicants under the Farmers Market project guidelines shall receive – at a minimum – a high priority and commitment of County funds from the location county of the market to be eligible for state funds. *[Adopted 11/20/2020]*

#### **D. Post-Approval**

1. Recipient Orientation – depending on the size and scope of the project, KOAP staff may request that a recipient participate in a Recipient Orientation to review the terms and conditions of the funding. The agreement will be executed at that meeting.
2. Recipient Review Committee – depending on the size and scope of the project, the KOAP executive director may appoint a small committee of the board that will receive progress reports for the project and periodically meet to review and discuss that progress.

#### **E. General Policies for Project, Program Reimbursements**

1. Reimbursements for purchases, including labor, from the producer's immediate family (e.g. father/mother, son/daughter, brother/sister, aunt/uncle, niece/nephew), including in-laws and step family, are not eligible.
2. Documented hired labor is an eligible cost-share item. However, reimbursement will **not** be awarded for labor provided by the producer and/or the producer's immediate family (e.g. father/mother, son/daughter, brother/sister, aunt/uncle, niece/nephew), including in-laws and step family.

#### **F. Project Guidelines– see detailed guidelines for related policies & procedures.**

1. General Project Guidelines *[Adopted 2001; revised 3/20/2009]*
2. Community Gardens *[Adopted 10/16/2015]*
3. Demonstration Farms *[Adopted 10/20/2017; rescinded 11/16/2018]*
4. Farmers Markets *[Adopted 2016; revised 11/20/2020]*
5. On-Farm Water Management *[Adopted 3/16/2018; revised 11/19/2021]* – A committee of three KADB members and three representatives from Division of Water will review applications and makes recommendations to the full KADB.
6. Meat Processing Investment Program *[Adopted 15, 2020; rescinded 11/19/2021]*

#### **G. Programs – see detailed program guidelines for related policies & procedures.**

1. General Administration - See applicable guidelines for program specific policies.
2. Pilot Programs *[Adopted 11/16/2006]*  
Pilot Programs must run for a minimum of twelve months. After the program is complete and staff has analyzed the program, staff will provide the KADB recommendations as to the need to continue or roll the program into another program.

3. County Agricultural Investment Program (CAIP) [*Adopted 3/20/2009; revised 11/19/2021*]
4. Deceased Farm Animal Removal [*Adopted 3/20/2009; revised 11/20/2020*]
5. Next Generation ~~Beginning~~ Farmer (NextGen) [*Adopted 11/18/2016; revised 11/20/2020*]
6. On-Farm Energy Efficiency Incentives [*Adopted 1/20/2012; revised 11/19/2021*]
7. Shared-Use Equipment [*Adopted 12/17/2004; revised 11/20/2020*]
8. Youth Agricultural Incentives Program (Youth/YAIP) [*Adopted 11/18/2016; revised 11/19/2021*]
9. ~~Agritourism Competitive Program~~ [*Adopted 2004; rescinded 12/18/2009*]
10. ~~Farmers' Market Infrastructure Competitive Grant Program~~ [*Adopted 12/11/2010; rescinded 12/20/2013*]
11. ~~Menu Approach~~ [*Adopted 11/16/2006; rescinded in 2009 with adoption of CAIP*]
12. ~~Model Programs~~ [*Adopted 2001-2008; rescinded in 2009 upon adopting CAIP*]
13. ~~Pilot Farm Management~~ [*Adopted 11/17/2007; rescinded 12/18/2009*]
14. ~~Producer Education/ Training Program~~ [*Adopted 12/11/2010; rescinded 11/17/2011*]

### III. Position Statements

#### A. Energy

1. Any application for development of an ethanol or biodiesel project cannot expect to receive more than ten percent up to a \$1 million maximum in total funding from the KADB.
2. Biomass production research and development is a focus. The Board will search for and entertain applications that will assist Kentucky farmers by creating the opportunities to enter this industry.

#### B. Hemp [*Adopted 1/18/2019; revised 11/19/2021*]

1. The KADB and KAFC will consider funding hemp applications from universities or public-private partnerships in two areas:
  - a. To support education of the agricultural community and farmers on hemp production from business planning to final processing; and,
  - b. Genetic research and variety development.
2. The KADB and KAFC will consider applications for loans on a participation basis.

3. Hemp shall be an eligible crop for CAIP and the Next Generation Farmer Program; however, hemp seeds, clones and seedlings are ineligible for cost-share.

**C. *Plant-based Biochemicals, Nutraceuticals***

1. The Kentucky Agricultural Development Board (KADB) shall play a role in the development of the plant-based biochemical, nutraceutical industry, because of the potential economic impact on Kentucky agriculture.
2. The KADB should invest in this industry, as allowed by HB 611, as codified in KRS 248, with the focus on projects that will benefit and directly assist tobacco dependent farmers by creating opportunities to enter this industry.
3. In providing investment in this area, the KADB should work with state government, investment funds, and other organizations to further advance the PMP industry in Kentucky. However, KADB should retain control over the Agricultural Development Fund investment in this area and not provide block grant funding to other investment funds for the purpose of investing in plant-based biochemicals, nutraceuticals.