

Case Study

Washington State's Direct Seed Loan Implementation Program: An Equipment Lending Program Financed by State Revolving Fund (SRF) Loans

By Josie Valette and Dane McKittrick, Yale School of the Environment
August 2025

Overview of Project

The Washington Equipment Program provides low-cost loans to farmers to purchase agricultural equipment that improves water quality and reduces erosion. The loan program is managed by the Spokane Conservation District. It is funded by Clean Water State Revolving Fund (SRF) dollars which are administered by the Washington State Department of Ecology. Using SRF funds to reduce the cost of conservation equipment loans makes conservation practices more economically feasible for farmers compared to conventional financing.

Key Players and Roles

- **Washington Department of Ecology** – Administers EPA-provided Clean Water and Drinking Water State Revolving Funds for all programs in the state of Washington.
- **Spokane Conservation District** – Receives SRF funds from Washington Department of Ecology and distributes them as loans to individual farmers looking to implement water conservation BMPs throughout their service area.
- **Farmers** – Use SRF-funded loans to purchase direct-seed and no-till equipment. USDA sometimes refers to farmers as Producers.

Background on Washington SRF Use

The Washington Department of Ecology is a national leader in using SRF dollars creatively to achieve water quality outcomes and other benefits. Since 1989, the Washington Department of Ecology has provided approximately \$2.7 billion in low-interest loans of Clean Water SRF dollars for point-source and nonpoint-source pollution projects. SRFs are capitalized by the U.S. Environmental Protection Agency (EPA) and are typically provided to partners as low-interest, 20-year loans. Although most of the funded projects fall under the point-source category (i.e. sewage treatment plant improvements or installing/repairing septic tanks), the EPA requires that at least 10% of SRFs go towards a "Green Project Reserve (GPR)." These can include nonpoint projects, green infrastructure and land conservation projects, such as [forestland conservation](#) and wetland restoration, and may soon include a [revolving loan fund](#) for land protection with water quality benefits.

Description of Direct Seed Loan Implementation Program

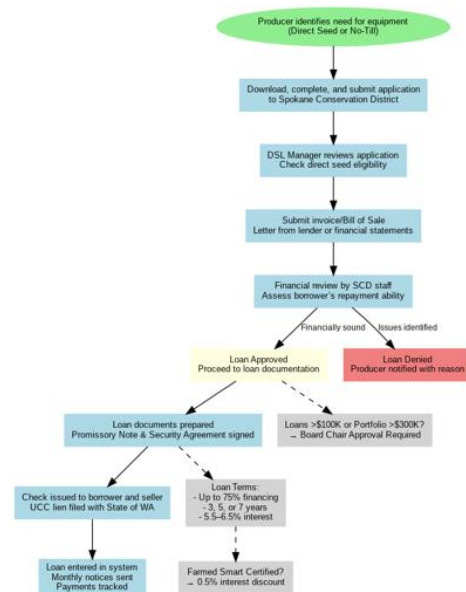
The Spokane Conservation District's No-Till and Direct Seed Program (the Program), which has operated since 1995, receives WA Department of Ecology Nonpoint Source SRF funding. The Program started when Rich Baden, the executive director of Spokane Conservation District at the time, became concerned about water quality issues within his district. He wanted to find a solution that rewarded farmers for implementing good watershed conservation practices rather than punishing them for making harmful decisions. He worked with the Department of Ecology to explore whether SRFs could be used for such a purpose.

Today, Spokane Conservation District receives SRF funding to support agricultural best management practices (BMPs), with the expectation that loans to farmers will result in water quality improvements. To qualify, farmers must use funds for the purchase of equipment that either helps place seed or fertilizer directly with fewer passes, or equipment that manages crop residue. This equipment supports better water and soil quality, reduces input costs, and results in clear conservation and financial benefits. While the most common purchases are no-till and direct seeding drills, the program can also support equipment needed to implement other conservation practices, such as establishing perennial crops. For local farmers, the Program has been a vital tool for purchasing conservation equipment. It offers low-interest machinery loans—more accessible and affordable than traditional financing options—and uses a streamlined, regionally consistent application process.

The SRF BMP loan process works as follows (and is illustrated in the flow chart to the right): Every two years, the Spokane Conservation District applies for SRF funds from the Department of Ecology, which they can then use to distribute them to farmers. Applications are open year-round, but most farmers apply outside of planting and harvest seasons. After a farmer applies online, the Conservation District does a credit check and notifies the farm's main lender to avoid loan duplications or high-risk loans. Farmers initiate the loan by paying 25% of the equipment price, which they often fund by trading in older machinery (no additional matching funds are required). Once the new equipment is purchased, Spokane Conservation District reviews the invoice to ensure funds were used as intended. Farmers repay loans to the Spokane Conservation District on an annual basis, starting one year after their purchase.

The most common loan term is five years at a fixed interest rate. Interest rates vary, but in 2025 were 5.5%. Three- and seven-year terms are also available. These loans are typically more affordable than those from private agricultural lenders. Meanwhile, Spokane Conservation District repays the Department of Ecology on a 20-year schedule, with interest rates ranging from 0.5% to 1.5%.

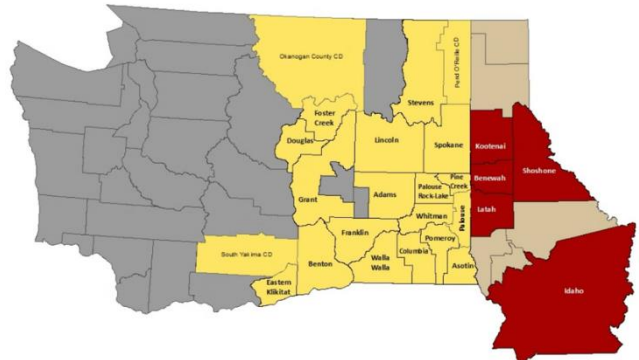
Since the program's start, the Spokane Conservation District has issued about \$40 million across 600 loans. These loans have helped farmers apply conservation practices across half a million acres. Roughly 20 farmers receive SRF loans each year, with an average loan size of \$64,000. To date, 98% of matured loans have been successfully repaid. The Spokane Conservation District spends roughly 1,040 staff hours on the project annually. In 2023, the Washington Equipment Program was



awarded the [PISCES award](#) by the EPA, which recognizes exemplary and innovative uses for SRF funding.

*Description of geographic area**

The Spokane Conservation District makes loans to farms within watersheds that drain into eastern and southeastern Washington. All funds from the Washington Department of Ecology must stay within the state, but the Spokane Conservation District can use repaid loan funds for loans to Idaho counties that drain into Washington watersheds. SRF funds can be used in areas where tillage agriculture is suitable.



**Map above created by the staff of the Spokane Conservation District showing location of SRF program participants. Yellow counties indicate Washington farmer participants while red counties indicate Idaho farmer participants.*

Challenges

This program provides some financial risk to the Spokane Conservation District: if farmers can't pay back their loans, the Spokane Conservation District risks monetary losses on a loan that they are responsible for paying back. The Spokane Conservation District currently runs a two percent loan loss on the No-Till and Direct Seed Program. The Spokane Conservation District has suggested that the Department of Ecology create and manage a new loan loss reserve fund, which WA Department of Ecology is considering. The Department of Ecology recently provided Spokane Conservation District a \$1.2 million loan forgiveness fund for unpaid SRF loans. This was considered a good start in establishing a loan loss reserve fund. However, the permanence of the forgiveness fund is uncertain and may not be sufficient if multiple farmers default.

Replication

Farmers that enlist in the program are eager to have easier access to lower cost interest rates for purchasing conservation equipment. To date, the Spokane Conservation District has received no major farmer complaints about the program. The EPA has been excited to see the No-Till and Direct Seed Program expanded. Members of the Spokane Conservation District frequently visit conservation districts across the country to speak about the use of SRF funds to promote agricultural BMPs. To date, no other Conservation Districts have implemented similar loan programs. This is primarily due to limitations in the SRF Intended Use Plans of each state or a lack of familiarity by Conservation Districts about working with SRF funds.

The establishment of state-wide loan loss funds (described above) would likely make agricultural BMPs more appealing for other states and Conservation Districts, and more available for farmers.

Further Reading

- <https://spokanecd.org/pages/no-till-direct-seed-program>
- [PowerPoint presentation from Ty Meyer, Spokane Conservation District](#)