

Framework for Start-Up Payment Program

Purpose:

One of the most common reasons interested landowners claim for not following through with a VCAP application is the burden of up-front costs. VCAP is currently a reimbursement-only program; with the Department of Conservation and Recreation (DCR) grant requirement to use 25% of the \$4 Million for FY23-24 in low-income geographic areas, payment strategies need to adapt.

The Virginia Agricultural Best Management Practices Cost-Share (VACS) Program has already begun to pilot a "Mobilization Payment Pilot Project" for VACS, allowing producers to request up to 20% of their cost-share payment up front. The remaining cost-share is paid out at the conclusion of the installation, which can have the added benefit of dividing the tax burden associated with cost-share across two tax seasons.

Description:

Many contractors request a start-up fee, which is an upfront flat rate or percentage-based payment required of the producer before any available resources are directed to the construction of the best management practice by the contractor. The SUPP will thus provide a partial cost-share payment to the landowner, called a "start-up payment", which will cover the contractor's mobilization or start-up fee. The intention is that the up-front payment early in the process will enable landowners that might not otherwise participate in VCAP to access the program.

Alternatively, in cases where the participant will be doing his/her own work to install the best management practice, this start-up payment will improve cash flow for the initial purchasing of materials needed to begin construction.

District MOUs:

- The SUPP will be conducted in partnership between the Virginia Association of Soil and Water Conservation Districts (VASWCD) and Soil and Water Conservation Districts that elect to opt-in through an MOU.
- A formal Memorandum of Understanding will be developed and executed with each participating District.
- Participating Districts and VASWCD will discuss the SUPP throughout its project time frame to address any unanticipated obstacles to implementation and to discuss any revisions that may be needed to improve its implementation.

Payment Details:

- The start-up payment shall be equal to up to 50% of the cost-share payment of the best management practice.
- The start-up cap applies even in cases where the participant signs up for multiple eligible BMPs.

Eligible Practices:

- All VCAP BMP's are eligible for start-up payments.

Stipulations for Program Participation:

- Any eligible VCAP applicant within a participating District that signs up for one or more of the eligible BMPs listed above may apply to be a part of the SUPP. Participants will “opt in” by way of a VCAP form (Form 8) signed and submitted along with the contract application. If the applicant elects to participate in the SUPP, the applicant must agree to the following (as part of the form):
 - All VCAP requirements, including practice specifications, practice lifespan, randomized verification and maintenance requirements, will be adhered to except as outlined in the manual.
- Form 9 (Start Date Form) must be signed by the participant and contractor (if applicable) and turned into the District before the start-up payment is issued. See details below in the “Payment Timing” section of this document. Projects that are not complete by the end of the contract term (by June 1 of the year following approval) will be canceled.
- The participant must begin work on the practice within 90 days of the start date listed on Form 9 from the documented intended start date in order to complete their contract.
- In the event that the participant fails to complete their VCAP contract within the required time frame, their contract will be canceled and the participant will be responsible for the full return of the start-up payment directly to the District within 60 days of contract cancellation.
- If the Start-Up Payment is not returned within 60 days, the contract repayment shall be referred by the District to the Office of the Attorney General. Additionally, the participant shall be prohibited from receiving any further VCAP payments.
- In highly unusual circumstances such as life-threatening illness or bankruptcy, SUPP participants will have the option to request forgiveness for the repayment of cost-share funds through the hardship process outlined in the VCAP Manual.

Payment Timing:

Participants will be eligible for a start-up payment only after the following conditions are met:

- All standard VCAP Program requirements for the practice must be completed;
- The District Board must formally approve the SUPP practice, including the payment, by separate motion recorded in the minutes;
- The participant and District must have received any required engineering designs, with signatures, for the project; and
- The participant must submit to the District Form 8 upon which they will include their intended start date, the participant's signature and the contractor's signature (where applicable for contracted projects).

VASWCD will issue the start-up payment only when all of the conditions listed above have been met, but no earlier than 60 days before the documented intended start date.

Note on 1099s:

In cases where the start-up payment and final cost-share payment are issued in different calendar years, the producer will be issued two 1099s, which will spread the tax liabilities and reduce the tax burden in any individual year.